

***United States Court of Appeals
for the Second Circuit***

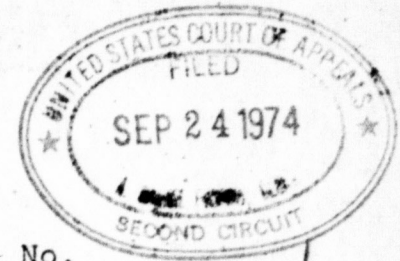


APPENDIX

74-1611

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

-----X
REA EXPRESS, INC. :
 :
Petitioner, :
 :
v. :
 :
CIVIL AERONAUTICS BOARD :
 :
Respondent. :
-----X



Docket No.

74-1611

JOINT APPENDIX - VOLUME VI - EXHIBITS

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September 25, 1974

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PROPOSED METHOD OF CONDUCTING AIR
FREIGHT FORWARDING SERVICES

This Exhibit describes the manner in which REA Express, Inc. proposes to provide air freight forwarding services (as "REAF") in addition to continuing to provide Air Express service.

Markets to be Served

REA believes that there is a large market for air freight forwarding in the smaller communities which are not now adequately served by the air freight forwarders. It proposes, therefore, to develop and conduct to the greatest extent permitted by market conditions an air freight forwarder business in the 374 communities served by scheduled air service in which REA presently maintains a salaried office. These communities are listed at pages 20-23 of this Exhibit. As Exhibit No. REA-328 demonstrates, over three-quarters (283) of these communities are not now served by a salaried office of any air freight forwarder. In addition, of course, REAF will be intermodally integrated with REA's entire network, so that any shipper can utilize REAF and move shipments beyond the terminal area in this manner.

The focus of REAF will be its airport offices at the following airports:

Atlanta	Dallas
Baltimore	Dayton
Boston	Denver
Buffalo	Detroit
Chicago	Hartford
Charlotte	Houston
Cincinnati	Indianapolis
Cleveland	Jacksonville
Columbus, Ohio	Kansas City

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Los Angeles	New York (JFK)
Louisville	Phoenix
Memphis	Philadelphia
Miami	Pittsburgh
Milwaukee	St. Louis
Minneapolis/St. Paul	San Francisco
Nashville	Seattle
New Orleans	Washington, D. C. (National)

If the volume of air freight originations at any airport office becomes too large to be handled at the REA airport office at these locations without hindering the quality of Air Express service, consolidations will be made at the REA combination air-surface office serving the airport city and containers trucked to and from the airport office.^{1/}

Each REAF center will be staffed by an air freight specialist, expert in making consolidations. In addition to providing air freight forwarding services to the areas around them, the REAF centers will reconsolidate and break-bulk air freight originating and terminating at the feeder stations located at the 340 other communities in which REAF will operate.

Consolidation Policies

Freight received at an REAF center will be forwarded the same day it is received. Similarly the feeder offices will dispatch a consolidated shipment to the closest REAF center at the end of each work day.^{2/} Each feeder station

^{1/} The term "REAF center," therefore, as used in this description, may include the REA combination office, as well as the airport office.

^{2/} These policies, of course, are subject to the variations which may be imposed by airline schedules at any particular point.

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will retain D-type containers on hand in which to dispatch containerized shipments to the closest REAF center, where the container will be emptied and the freight (if not destined for the community in which the center is located) will be reconsolidated for forwarding.

REAF Center Operations

Each REAF center will be responsible for receipt of air freight originating there as well as air freight originating in REAF feeder stations, preparation of the REAF waybill and the master airline waybill, consolidation of traffic to other REAF centers, delivery of the containerized or loose consolidations to the airlines, receipt of consolidations from other REAF centers, and distribution of the freight to the REAF center's community and to the REAF feeder stations.

SPECIFIC FUNCTIONS

A. Receipt of traffic from feeder stations and delivery of it, or distribution of it among consolidated shipments for reshipment.

B. Breakdown and delivery or distribution of containerized and loose traffic received from other REAF centers.

C. Loading of containers and/or preparation of loose consolidations for forwarding to other REAF centers.

D. Preparation of master manifest listing individual shipments by REAF waybill number which are consolidated and forwarded under the airline's master waybill, the name of the airline, the date of the shipment, the weight of each shipment in the consolidation, and the total weight of the consolidated shipment.

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E. Pre-advice telex to REAF centers on traffic forwarded indicating:

1. Master air waybill number
2. Flight and date
3. Number of pieces and weight.

F. Tracing.

Freight will be handled at REAF centers in the following manner.

RECEIPT OF TRAFFIC

Traffic will be received at REAF centers from the following sources and REAF waybills will be prepared in the following manner:

A. Public

1. Waybills will be prepared by the REAF employee receiving the freight.

B. Outside Draymen

1. Waybills will be prepared by the REAF employee receiving the freight.

C. Other Forwarders

1. Waybills should be prepared in advance by the forwarders utilizing REAF service on a joint-load basis.
2. Shipments can be forwarded collect or prepaid, but if prepaid, the forwarder wishing to joint-load must have a valid credit account with REAF.

D. Feeder Locations

1. REAF feeder locations will bulk deliver traffic via air freight to the REAF centers for delivery or forwarding.
2. Waybills for this traffic will have already been prepared at feeder office originating the traffic.
3. The REAF center will prepare a receipt for the traffic received from the feeder office.

OUTBOUND PREPARATION

Traffic received will be forwarded to other REAF centers in two ways:

1. Containerized
2. Loose

Containerized

Containers designed for heavy markets will be spotted in designated areas and pre-loaded upon receipt of traffic.

Shipments which will move in a container need not be labeled with other than the master waybill number, since the container will move as a single unit to be opened by the REAF center at destination.

A manifest with clipboard will be affixed to the outside of the container and traffic placed in the container will be recorded on the manifest by:

- (a) Waybill number of each shipment
- (b) Weight of each shipment
- (c) Date of shipment
- (d) Final destination code

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- (e) Weight of total consolidated shipment
- (f) Name of the airline and number of its waybill.

After the container is filled, a copy of the manifest will be placed in the container, and an airline waybill will be prepared showing:

- (a) Total pieces and gross weight
- (b) The number of the container
- (c) The airline flight booking
- (d) Designation of REAF center receiving the shipment.

The outbound REAF center will then telex this information to the receiving center.

Container Types

Types A, B, C and D containers will be utilized when loads permit.

Spotting of the proper container will be made by the Terminal Manager, utilizing his knowledge of the daily load trends to specific REAF centers.

Loose Consolidations

When there is insufficient traffic to build up a container, the shipment will be turned over to the airline as a loose consolidation.

Loose consolidation of the traffic will be accumulated in a spotted area of the REAF center and the manifest prepared in the same manner as it is for containerized cargo.

After the lot is completed and the manifest totals added up, the REAF consolidator will issue an air carrier waybill.

Because the shipment will be moving as loose traffic, each piece of the consolidation must be labeled with:

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- (a) The master airline air waybill number
- (b) The total number of pieces of the consolidation
- (c) The destination airport code.

The consolidator will then attach the shipping copies of the air waybill and the manifest to one of the cartons in the consolidation; he will note the number of that carton.

A pre-advice telex will then be transmitted to the destination REAF center giving the following information:

- (a) Master air waybill number
- (b) The airline flight booking
- (c) Total pieces and gross weight of the consolidation
- (d) The number of the carton to which the shipping copies of the air waybill and manifest were attached.

This procedure will insure that all pieces turned into the destination center will be part of the original lot forwarded and will correspond to the number of pieces shown on the master air waybill.

INBOUND PREPARATION

REAF centers receiving consolidations forwarded by originating REAF centers will follow these procedures.

Receipt of Containerized Cargo

Immediately upon receipt of a container, it will be opened and the manifest checked against the cargo being decontainerized. It will not be necessary to sign off the number of pieces to the airline because the shipment moved in one unit; it will be necessary only to verify the container number against the master air waybill.

After the shipments have been checked against the manifest, they are ready for delivery (or distribution to feeder stations); delivery will be made to the consignee listed on the REAF waybills attached to the shipments.

Receipt of Loose Consolidations

Upon presentation of the master air waybill from the airline, the receiving agent will verify that the number of pieces shown on the air waybill as well as the airline number correspond to the number of pieces delivered by the airline.

When this is accomplished, the airline's delivery sheet can be signed and the manifest will be recovered from the package to which it was affixed.

The shipments manifested are then checked against the manifest to determine once again that all the shipments manifested were received. When this is verified, the receiving employee will then:

- (a) Strike out with a black marking pen the label indicating the master air waybill number.
- (b) Prepare the shipments for delivery or distribution; delivery will be made to the consignees listed on the REAF waybills attached to the shipments.

Relationship of REAF to Air Express

In all communities in which REAF operates, shippers will be offered the choice of shipping by Air Express or REAF. If a shipper desires Air Express, his shipment will

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be loaded on the first possible flight out. If he chooses REAF, the shipment will be consolidated with others, and as previously described, will be dispatched on the same day as it is received. At no time will Air Express shipments be included within REAF consolidations. There may be instances in which an Air Express shipment will arrive at an REA office at such a time that it will be shipped on the same flight as a consolidated REAF shipment and could be included within that consolidation without impairing the quality of Air Express service. However, to insure that there will be no temptation not to forward Air Express on the first possible flight out but to hold it for inclusion within a freight consolidation, REAF will prohibit the inclusion of any Air Express in a freight consolidation, even if in a particular instance this would not impair Air Express service.

Tariff

REAF will, upon receipt of freight forwarder authorization, issue a tariff covering the points to be served. It will be competitive with existing air freight tariffs.

Pickup and Delivery

Pickup and delivery service will be provided by the trucks of REA's combination air-surface offices within the terminal area of the REAF office now receiving such service. No exclusive Air Express trucks will be used for picking up and delivering air freight (unless such trucks are under-utilized and use of them would not impair, in any way, the service provided by them).

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REA's surface express volume has decreased very substantially in recent years. The combination trucks are, therefore, currently under-utilized, and can accommodate the 1.5 million shipments of air freight REA predicts it will carry in 1973.

REA will vigorously promote the business and activities of REAF. It intends to solicit its existing customers who are utilizing its first class surface tariff and whose shipments average 135 pounds in weight and are moved an average distance of 900 miles. REA believes some of this traffic can be diverted to air if it is an air freight forwarder.

Other Information Relevant to
Freight Forwarder Application

REA has not filed a Form 351 because it understands that one major purpose of this proceeding is to elicit the information about REA called for by that form, as well as additional information. However, to ensure that all the requests made in Form 351 for substantive information are satisfied, it submits the following additional information keyed to the item numbers of the form.

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1, 2, 3: Applicant is REA Express, Inc., 219 E. 42nd Street, New York, N.Y. ("REA").

4, 5, 6: It is a corporation, incorporated under the laws of Delaware, December, 1928.

7. Officers of REA and owners of more than 5% of its outstanding stock: OFFICERS

President & Chief Executive Officer	Tom Kole
Vice President & Executive Assistant to the President	I. B. Jenkins
Vice President, Finance	E. B. Kania
Vice President & General Counsel, and Secretary	Arthur M. Wisehart
Assistant Treasurer	Walter Ohliger
Controller	Raymond Maixner
Vice President, Transportation Services	James G. Cunningham
Vice President, Terminal & Marketing Services	Daniel J. Kerrigan
Vice President, Sales	Henry H. Steiner
Vice President, Industrial Relations	Laurence R. Masse
Vice President, Labor Relations	Stanley L. Aiges
Vice President, Operations & Service Control	Roger J. Corgel
Operations Vice President, West Central	Adrian M. Curtis
Operations Vice President, East	Joseph Gallo
Operations Vice President, East Central	Joseph F. McQuaid
Operations Vice President, West	E. E. Parkinson
Assistant Secretary	Robert A. Burman
Assistant Secretary	A. R. Taintor, Jr.
Assistant Secretary	V. Madeline Stratenwerth

Owners of More Than 5%

REA Holding Corporation	99.2%
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8. Directors of REA:

<u>Name</u>	<u>Address</u>	<u>Citizenship</u>	<u>Stock Interest</u>
Tom Kole	219 E. 42nd St. New York, N.Y.	U.S.	Zero
Spencer D. Moseley	75 Louise's Lane New Canaan, Conn.	U.S.	Zero
Arthur M. Wischart	219 E. 42nd St. New York, N.Y.	U.S.	Zero

9-10. More than 75% of the voting interest of REA is owned by citizens of the United States; more than 75% of the voting interest of REA Holding Corporation is owned by citizens of the United States.

11. REA transports express cargo using its own vehicles for pickup and delivery service and using railroads, airplanes, and over-the-road trucks (both its own and third party) for the line haul. It is also a customs broker and an IATA sales agent. It has been in the express business since its organization in 1928.

12-14. In addition to the activities summarized in No. 11, REA also served as an ocean freight forwarder (until May, 1969, when it voluntarily cancelled its license) and as an agent for three foreign airlines (until October, 1958). REA possesses, or has possessed, the following kinds of operating authority issued by the United States Government:

(a) Over 1,000 motor carrier certificates issued by the Interstate Commerce Commission over a number of years, which can be found in I.C.C. Docket ME-66562.

(b) Customs Broker License No. 2151, issued by the Bureau of Customs in 1937.

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(c) Air Express exemption issued by the Civil Aeronautics Board in Docket No. 19-401(E)-1 (March, 1941).

(d) Ocean Freight Forwarder License No. 568, issued by the Federal Maritime Commission in 1967, and voluntarily cancelled in May, 1969.

15. Cargo information for the fiscal year ended June 30, 1971 will be available on or about October 1, 1971, and will be supplied at that time.

16. As an IATA cargo sales agent, REA received \$35,563 in total commissions for the year ended June 30, 1971. As an IATA cargo sales agent, it is affiliated with the following carriers:

Aer Lingus (Irish Air Lines)	564 5th Avenue New York, N.Y. 10036
Aerolineas Argentinas	9 Rockefeller Plaza New York, N. Y.
Aeronaves de Mexico	Cargo Bldg. #84 - J.F.K. International Airport Jamaica, N.Y. 11430
Air France	683 Fifth Avenue New York, N.Y.
Air Canada	Logan Airport East Boston, Mass.
Air India Airlines	410 Park Avenue New York, N.Y.
Airlift International	P. O. Box 48-535 International Airport Branch Miami, Florida
Alitalia Airlines	P. O. Box 3665 Church St. Station New York, N.Y.
American Airlines	Newark Airport Newark, N.J.
Austrian Airlines	545 5th Avenue New York, N.Y.
Avianca, Inc.	6 West 49th Street New York, N.Y.
Aviateca Guatemala Airlines	International Airport, P.O. Box 2496 Miami, Florida

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Bahamas Airways	P.O. Box 2035, International Airport Miami, Florida
Braniff International	135 East 42nd Street New York, N.Y.
British Overseas Airways	J.F.K. International Airport Jamaica, N. Y. 11430
British West Indian Airways, Ltd.	International Airport Miami, Florida
Canadian Pacific Airlines	581 Fifth Avenue New York, N.Y.
Continental Airlines	International Airport Los Angeles, California
Delta Airlines	Atlanta Airport Atlanta, Georgia
Eastern Airlines	International Airport Miami, Florida
El-Al Israel Airlines	850 Third Avenue New York, N.Y.
Finnair	10 East 40th Street New York, N.Y.
Flying Tiger Line	Los Angeles International Airport Los Angeles, California
Iberia Air Lines of Spain	Cargo Bldg. #82, J.F.K. Inter- national Airport Jamaica, N.Y. 11430
Japan Airlines	655 Fifth Avenue New York, N.Y. 10022
KLM - Royal Dutch Airlines	P.O. Box 3496 Church St. Station New York, N.Y.
Lan Chile Airlines	121 S. E. 2nd Avenue Miami, Florida
Lufthansa German Airlines	410 Park Avenue New York, N.Y.
Mexicana de Aviacion	Oficinas Generales, Balderas 36 Apartado Postal 901, Mexico, D.F.
National Airlines	P. O. Box 2055, A.M.F. Miami, Florida
North Central Airlines	37 So. Wabash Avenue Chicago, Illinois
Northeast Airlines	Logan International Airport Boston, Massachusetts

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Northwest Airlines	J.F.K. International Airport Jamaica, N. Y.
Olympic Airways	649 Fifth Avenue New York, N.Y.
Pakistan International Airlines	545 Fifth Avenue New York, N.Y. 10017
Pan American World Airways, Inc.	Pan American Building New York, N.Y.
Peruvian Airlines	530 West 6th Street Los Angeles, California 90014
Philippine Airlines	200 Stockton Street San Francisco, California
Quantas Empire Airways, Inc.	350 Post Street San Francisco, California
Sabena Belgian World Airlines	589 Fifth Avenue New York, N.Y.
Sahsa Honduras Airlines	P. O. Box 20023 New Orleans, La.
Scandinavian Airlines	138-02 Queens Blvd. Jamaica, N.Y. 11435
Seaboard World Airlines	J.F.K. International Airport Jamaica, N.Y.
Swissair	Cargo Bldg. #82 J.F.K. International Airport Jamaica, N.Y. 11430
Taca International Airlines	P. O. Box 428 Kenner, La.
Tan Airlines	P. O. Box 222 International Airport Miami, Florida
TAP Portuguese Airlines	601 Fifth Avenue New York, N.Y.
Trans Caribbean Airways	P. O. Box 6309 Church St. Station New York, N.Y.
Trans Mediterranean Airways	P. O. Box 276 J.F.K. International Airport Jamaica, N.Y. 11430
Trans Texas	Box 60336, A.M.F. Houston, Texas
Trans World Airlines	P. O. Box 1412 Church St. Station New York, N.Y.

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United Airlines	P. O. Box 8800 Chicago, Illinois
Varig Airlines	630 Third Avenue New York, N.Y.
Viasa International Airways	160 S. E. Third Avenue Miami, Florida
Western Airlines	P. O. Box 45,005 Airport Station Los Angeles, California

17. REA currently has more than 300 agreements with motor carriers.

These agreements provide for specified payments by REA for the carriage of express by motor carriers. The agreements also provide for allocation of liability for damages between two parties. These agreements cover various areas of the country and have varying effective dates.

The following carriers are parties to the Air Express Agreement (August 1970):

- Air Canada
- Airlift International
- Air West
- Alaska Airlines, Inc.
- Alitalia Airlines
- Allegheny Airlines, Inc.
- American Airlines, Inc.
- Aspen Airways, Inc.
- Braniff Airways, Inc.
- Chicago Helicopter Airways, Inc.
- Compagnie Nationale Air France
- Continental Airlines, Inc.
- Delta Air Lines, Inc.
- Eastern Air Lines, Inc.

Flying Tiger Line, Inc.
Frontier Airlines, Inc.
Los Angeles Airways, Inc.
Mohawk Airlines, Inc.
National Airlines, Inc.
New York Airways, Inc.
North Central Airlines, Inc.
Northeast Airlines, Inc.
Northwest Airlines, Inc.
Ozark Air Lines, Inc.
Pan American World Airways, Inc.
Piedmont Aviation, Inc.
San Francisco and Oakland Helicopter
Airlines, Inc.
Southern Airways, Inc.
Trans Caribbean Airways, Inc.
Texas International Airlines, Inc.
Trans World Airlines, Inc.
United Air Lines, Inc.
Western Air Lines, Inc.

In substance, the Air Express Agreement (C.A.B. Agreement No. 17935) provides that REA will provide express pick-up and delivery, documentation, transfer and other services relating to Air Express; that the airlines will provide Air Express with first priority commensurate with their obligations to carry passengers and mail; and that revenues will be apportioned according to a specified schedule. It covers Air Express shipments throughout the United States (including Puerto Rico) and to and from Canada.

REA has agreements with three Air Taxi Operators, Command Airways, Graylock Airways, and Rapid Air Freight. These agreements have varying effective dates, and cover various parts of the country. Under these agreements, the air taxis agree to carry express for REA on certain specified routes and specified rates.

REA is a party, with the following railroads, to the Short Line Agreement:

Alaska R.R.
Bath and Hammondsport R.R. Co.
Moscow, Camden and San Augustine R.R.
Stewartstown R.R. Co.
Ahnapee & Western Ry. Company
Gulf Transport Co.
McCloud River R.R. Co.
Pecos Valley Southern Ry.
Sierra R.R. Co.
Southern Pacific Transport Co.
Southwestern Transportation Co.
Texas & Pacific Motor Transport Co.
Western Maryland Ry. Co.
Yakima Valley Transport
Atlanta & St. Andrews Bay Ry. Co.
Cadiz R.R. Co., Inc.
East Tennessee & Western North
Carolina R.R. Co.

This contract will expire on December 31, 1973, and covers all areas of the country. It provides that the railroads will perform line-haul transportation for REA's express traffic and REA will load and unload it, that REA will pay the

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railroads a percentage of the revenue, and that certain railroads will lease space to REA for Express facilities.

18. REA currently provides express service to all points in the United States, plus Canada and Puerto Rico, named in I.C.C. Tariff A-3. It proposes to serve, as the market permits, the following points as a domestic air freight forwarder:

POINTS TO BE SERVED

REAF proposes to provide air freight forwarding service at the following airports (provided they are served by scheduled airline service):

Aberdeen, S. Dak.	Chicago, Ill.
Abilene, Tex.	Chico, Calif.
Akron, Ohio	Cincinnati, Ohio
Albany, Ga.	Clarksburg, W. V.
Albany, N. Y.	Clarksville, Tenn.
Albuquerque, N. M.	Cleveland, Ohio
Alexandria, La.	Clinton, Iowa
Allentown, Pa.	Clovis, N. M.
Alpena, Mich.	Colorado Springs, Colo.
Altoona, Pa.	Columbia, Mo.
Amarillo, Tex.	Columbia, S. C.
Anchorage, Alas.	Columbus, Ga.
Anderson, S. C.	Columbus, Miss.
Anniston, Ala.	Columbus, Nebr.
Asbury Park, N. J.	Columbus, Ohio
Asheville, N. C.	Corpus Christi, Tex.
Ashland, Wisc.	Dallas, Tex.
Athens, Ga.	Danville, Ill.
Atlanta, Ga.	Danville, Va.
Atlantic City, N. J.	Dayton, Ohio
Augusta, Ga.	Daytona Beach, Fla.
Austin, Tex.	Decatur, Ill.
Bakersfield, Calif.	Denver, Colo.
Baltimore, Md.	Des Moines, Iowa
Bangor, Me.	Detroit, Mich.
Bartlesville, Okla.	Devils Lake, N. Dak.
Baton Rouge, La.	Dothan, Ala.
Beaumont, Tex.	Dubuque, Iowa
Bemidji, Minn.	Duluth, Minn.
Big Spring, Tex.	Duncan, Okla.
Billings, Mont.	Eau Claire, Wisc.
Biloxi, Miss.	El Dorado, Ark.
Binghamton, N. Y.	Elkins, W. Va.
Birmingham, Ala.	Elmira, N. Y.
Bismarck, N. Dak.	El Paso, Tex.
Bloomington, Ill.	Enid, Okla.
Bloomington, Ind.	Erie, Pa.
Bluefield, W. Va.	Escanaba, Mich.
Boise, Ida.	Eugene, Ore.
Boston, Mass.	Eureka, Calif.
Bozeman, Mont.	Evansville, Ind.
Brainerd, Minn.	Fairbanks, Alas.
Brookings, S. Dak.	Fairmont, Minn.
Brownsville, Tex.	Fargo, N. Dak.
Brunswick, Ga.	Fayetteville, Ark.
Buffalo, N. Y.	Flagstaff, Ariz.
Burlington, Iowa	Flint, Mich.
Cedar Rapids, Iowa	Florence, S. C.
Charleston, S. C.	Ft. Dodge, Iowa
Charleston, W. Va.	Ft. Lauderdale, Fla.
Cheyenne, Wyo.	Ft. Leonard Wood, Mo.
	Fayetteville, N.C.

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Ft. Myers, Fla.
 Ft. Smith, Ark.
 Ft. Wayne, Ind.
 Gallup, N. M.
 Galveston, Tex.
 Glens Falls, N. Y.
 Grand Forks, N. Dak.
 Grand Junction, Colo.
 Grand Rapids, Mich.
 Great Bend, Kans.
 Great Falls, Mont.
 Green Bay, Wisc.
 Greensboro, N. C.
 Greenville, Miss.
 Greenville, S.C.
 Greenwood, Miss.
 Greenwood, S. C.
 Hancock, Mich.
 Harlingen, Tex.
 Harrisburg, Pa.
 Harrison, Ark.
 Hartford, Conn.
 Hastings, Neb.
 Hattiesburg, Miss.
 Havre, Mont.
 Helena, Mont.
 Hibbing, Minn.
 Hickory, N. C.
 Honolulu, Hawaii
 Hot Springs, Ark.
 Houston, Tex.
 Huntington, W. Va.
 Huntsville, Ala.
 Hutchinson, Kans.
 Idaho Falls, Ida.
 Indianapolis, Ind.
 Iron Mountain, Mich.
 Ironwood, Mich.
 Jackson, Mich.
 Jackson, Miss.
 Jackson, Tenn.
 Jacksonville, Fla.
 Jamestown, N. Y.
 Jamestown, N. Dak.
 Jefferson City, Mo.
 Johnstown, Pa.
 Jonesboro, Ark.
 Joplin, Mo.
 Kalamazoo, Mich.
 Kalispell, Mont.
 Kansas City, Mo.
 Kearney, Neb.
 Keene, N. H.
 Key West, Fla.
 Kingsport, Tenn.
 Kingston, N. C.
 Klamath Falls, Ore.
 Knoxville, Tenn.
 La Crosse, Wisc.

Lafayette, Ind.
 Lafayette, La.
 Lake Charles, La.
 Lancaster, Calif.
 Lancaster, Pa.
 Lansing, Mich.
 Laramie, Wyo.
 Laredo, Tex.
 Las Vegas, Nev.
 Laurel, Miss.
 Lawton, Okla.
 Lewiston, Me.
 Lexington, Ky.
 Liberal, Kans.
 Lima, Ohio
 Lincoln, Neb.
 Little Rock, Ark.
 Long Beach, Calif.
 Longview, Tex.
 Los Angeles, Calif.
 Louisville, Ky.
 Lubbock, Tex.
 Lufkin, Tex.
 Lynchburg, Va.
 Macon, Ga.
 Madison, Wisc.
 Manchester, N. H.
 Manitowoc, Wisc.
 Marquette, Mich.
 Marysville, Calif.
 Mason City, Iowa
 Mattoon, Ill.
 McAllen, Tex.
 McCook, Neb.
 Medford, Ore.
 Melbourne, Fla.
 Memphis, Tenn.
 Merced, Calif.
 Meridian, Miss.
 Miami, Fla.
 Miles City, Mont.
 Milwaukee, Wisc.
 Minneapolis, Minn.
 Minot, N. Dak.
 Missoula, Mont.
 Mobile, Ala.
 Modesto, Calif.
 Monroe, La.
 Monterey, Calif.
 Montgomery, Ala.
 Montpelier, Vt.
 Mt. Vernon, Ill.
 Muncie, Ind.
 Muskogee, Okla.
 Nashville, Tenn.
 Natchez, Miss.
 Newark, N. J.
 New Bedford, Mass.
 New Haven, Conn.

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New London, Conn.
New Orleans, La.
Newport News, Va.
New York, N. Y.
Nogales, Ariz.
Norfolk, Neb.
Norfolk, Va.
North Platte, Neb.
Oakland, Calif.
Ocala, Fla.
Oklahoma City, Okla.
Olean, N. Y.
Omaha, Neb.
Orlando, Fla.
Oshkosh, Wisc.
Ottumwa, Iowa
Owensboro, Ky.
Oxnard, Calif.
Paducah, Ky.
Palm Springs, Calif.
Panama City, Fla.
Paris, Tex.
Parkersburg, W. Va.
Pasco, Wash.
Pensacola, Fla.
Peoria, Ill.
Philadelphia, Pa.
Phoenix, Ariz.
Pierre, S. Dak.
Pine Bluff, Ark.
Pittsburgh, Pa.
Plattsburgh, N. Y.
Pocotello, Ida.
Ponca City, Okla.
Portland, Me.
Portland, Ore.
Portsmouth, Ohio
Prescott, Ariz.
Presque Isle, Me.
Providence, R. I.
Pueblo, Colo.
Pulaski, Va.
Pullman, Wash.
Quincy, Ill.
Raleigh, N. C.
Rapid City, S. Dak.
Reading, Pa.
Redding, Calif.
Reno, Nev.
Rhineland, Wisc.
Richmond, Va.
Roanoke, Va.
Rochester, Minn.
Rochester, N. Y.
Rockford, Ill.
Rock Springs, Wyo.
Rocky Mt., N. C.
Roswell, N. M.
Rutland, Vt.

Sacramento, Calif.
Saginaw, Mich.
St. Joseph, Mo.
St. Louis, Mo.
Salem, Ore.
Salina, Kans.
Salt Lake City, Utah
San Angelo, Tex.
San Antonio, Tex.
San Diego, Calif.
San Francisco, Calif.
San Jose, Calif.
Santa Ana, Calif.
Santa Barbara, Calif.
Santa Fe, N. M.
Santa Marie, Calif.
Santa Rose, Calif.
Saranac Lake, N. Y.
Sault Ste. Marie, Mich.
Savannah, Ga.
Scottsbluff, Neb.
Seattle, Wash.
Sheridan, Wyo
Shreveport, La.
Sidney, Neb.
Silver City, N. M.
Sioux City, Iowa
Sioux Falls, S. Dak.
South Bend, Ind.
Southern Pines, N. C.
Spokane, Wash.
Springfield, Ill.
Springfield, Mo.
State College, Pa.
Staunton, Va.
Sterling, Ill.
Stillwater, Okla.
Stockton, Calif.
Syracuse, N. Y.
Tallahassee, Fla.
Tampa, Fla.
Temple, Tex.
Terre Haute, Ind.
Texarkana, Ark.
Thief River Falls, Minn.
Thomasville, Ga.
Toledo, Ohio
Topeka, Kans.
Traverse City, Mich.
Trenton, N. J.
Tucson, Ariz.
Tulsa, Okla.
Tupelo, Miss.
Tuscaloosa, Ala.
Twin Falls, Ida.
Tyler, Tex.
Urbana, Ill.
Utica, N. Y.
Valdosta, Ga.

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Vicksburg, Miss.
Victoria, Tex.
Waco, Tex.
Washington, D C.
Waterloo, Iowa
Watertown, N. Y.
Watertown, S. Dak.
Wausau, Wisc.
Wenatchee, Wash.
West Palm Beach, Fla.
Wheeling, W. Va.
Wichita, Kans.
Wichita Falls, Tex.
Williamsport, Pa.
Williston, N. Dak.
Wilmington, Del.
Wilmington, N. C.
Worcester, Mass.
Worthington, Minn.
Yakima, Wash.
Yankton, S. Dak.
Youngstown, Ohio
Yuma, Ariz.
Zanesville, Ohio
Kirksville, Mo.
Burlington, Vt.
Butte, Mont.
Cape Girardeau, Mo.
Casper, Wyo.
Charlotte, N. C.
Charlottesville, Va.
Chattanooga, Tenn.
Fresno, Calif.
Gadsden, Ala.
Gainesville, Fla.
Galesburg, Ill.

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19. REA operates through more than 3,300 offices, detailed information about which is supplied elsewhere in these Exhibits.

20. Addresses of "branch offices" at points proposed to be served in Air Freight Forwarding:

REA Express, Municipal Airport, Atlanta, Atlanta, Georgia
 REA Express, P. O. Box 2101, A.M.F., Miami, Florida
 REA Express, Lambert Field, St. Louis, Missouri
 REA Express, Hopkins Municipal Airport, Cleveland, Ohio
 REA Express, Municipal Airport, Newark, New Jersey
 REA Express, Minneapolis-St. Paul International Airport,
 Minneapolis, Minnesota
 REA Express, 106 N. Myrtle Ave., Jacksonville, Florida
 REA Express, Greater Cincinnati Airport, Cincinnati, Ohio
 REA Express, Port Columbus Airport, Columbus, Ohio
 REA Express, Cox Municipal Airport, Dayton, Ohio
 REA Express, Metropolitan Airport, Detroit, Michigan
 REA Express, Standiford Field, Louisville, Kentucky
 REA Express, Municipal Airport, Kansas City, Missouri
 REA Express, Friendship International Airport, Baltimore, Maryland
 REA Express, Greater Buffalo International Airport, Buffalo, New York
 REA Express, O'Hare International Airport, Chicago, Illinois
 REA Express, Logan International Airport, Boston, Massachusetts
 REA Express, Love Field, Dallas, Texas
 REA Express, Stapleton Field, Denver, Colorado
 REA Express, P. O. Box 27152, Douglas Airport, Charlotte,
 North Carolina
 REA Express, Greater Pittsburgh Airport, Pittsburgh, Pennsylvania
 REA Express, 10054 Postal Road, Los Angeles, California
 REA Express, 1550 Julia St., New Orleans, Louisiana
 REA Express, JFK International Airport, Cargo Bldg. 68, Jamaica,
 New York
 REA Express, Berry Field, Nashville, Tennessee
 REA Express, Mitchell Field, Milwaukee, Wisconsin
 REA Express, National Airport, Washington, D. C.
 REA Express, La Guardia Airport, Flushing, New York
 REA Express, Bradley International Airport, Windsor Locks,
 Connecticut
 REA Express, International Airport, Philadelphia, Pennsylvania
 REA Express, Seattle - Tacoma International, Seattle, Washington
 REA Express, International Airport, San Francisco, California
 REA Express, International Airport, Houston, Texas
 REA Express, Weir Cook Municipal Airport, Indianapolis, Indiana
 REA Express, Metropolitan Airport, Memphis, Tennessee
 REA Express, 401 West Harrison Street, Phoenix, Arizona
 REA Express, 130 East Mill Street, Akron, Ohio
 REA Express, Port of Albany, Albany, New York
 REA Express, Express Annex-Santa Fe Station, Albuquerque, New Mexico
 REA Express, 14 No. 14th Street, Birmingham, Alabama
 REA Express, D. C. ROW Station, Colorado Springs, Colorado
 REA Express, 2-6th Ave., Des Moines, Iowa
 REA Express, P. O. Box 9331, 6839 Commerce Street, El Paso, Texas
 REA Express, 3901 Eastern, S. E., Grand Rapids, Michigan
 REA Express, 201 Stagecoach Trail, Greensboro, North Carolina
 REA Express, 5026 White Horse Rd., Greenville, South Carolina
 REA Express, Dulles International Airport, Washington, D. C.

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REA Express, 205 So. 2nd St., Harrisburg, Pennsylvania
 REA Express, Carl Jones Field, P. O. Box 1408, Huntsville, Alabama
 REA Express, 2530 Mitchell St., N. E., Knoxville, Tennessee
 REA Express, 1205 S. Washington, Lansing, Michigan
 REA Express, 105 Trafton Ave., Lexington, Kentucky
 REA Express, 1711 E. 13th St., Little Rock, Arkansas
 REA Express, 2180 Pennsylvania Ave., Madison, Wisconsin
 REA Express, Kennedy Regional Airport, Melbourne, Florida
 REA Express, 2202 Redgate Ave., Norfolk, Virginia
 REA Express, 2277 - 7th St., Oakland, California
 REA Express, 815 S. Harvey St., Oklahoma City, Oklahoma
 REA Express, 9th & Jackson, Omaha, Nebraska
 REA Express, 1515 Sligh Blvd., Orlando, Florida
 REA Express, Union Station, East Wing, Providence, Rhode Island
 REA Express, 121 Seaboard Ave., Raleigh, North Carolina
 REA Express, 2300 W. Broad St., Richmond, Virginia
 REA Express, 900 Driving Park Ave., Rochester, New York
 REA Express, 5th & Eye Sts., Sacramento, California
 REA Express, 247 W. 1400 South St., Salt Lake City, Utah
 REA Express, 4718 Dodge, San Antonio, Texas
 REA Express, 1190 Keltner Blvd., San Diego, California
 REA Express, 5959 Court St., P. O. Box 82, Eastwood Station,
 Syracuse, New York
 REA Express, 614 Union Station St., Tampa, Florida
 REA Express, 341 Emerald Avenue, Toledo, Ohio
 REA Express, 316 S. Quincy St., Tulsa, Oklahoma
 REA Express, 601 N. Railroad St., West Palm Beach, Florida
 REA Express, 726 E. Waterman, Wichita, Kansas
 REA Express, 551 Mahoning, Youngstown, Ohio
 REA Express, 1 No. Main Street, Aberdeen, South Dakota
 REA Express, No. 1st & Cedar St., Abilene, Texas
 REA Express, 109 Roosevelt Ave., Albany, Georgia
 REA Express, 10th & Jackson, Alexandria, Louisiana
 REA Express, 2320 Ave. "A", P. O. Box 2603, Bethlehem, Pennsylvania
 (Allentown)
 REA Express, 2242 Werth St. Alpena, Michigan
 REA Express, 601 Sprinkle Ave., Lakemont, Altoona, Pennsylvania
 REA Express, 404 Hayes St., Amarillo, Texas
 REA Express, P. O. Box 1748, Anchorage, Alaska
 REA Express, 1700 E. River St., Anderson, South Carolina
 REA Express, 703 Clydesdale Ave., Anniston, Alabama
 REA Express, 3421 Sunset Ave., Nanamassa, New Jersey (Asbury Park)
 REA Express, 389 Lyman St., Asheville, North Carolina
 REA Express, C & NW Depot, Ashland, Wisconsin
 REA Express, Ware St., Athens, Georgia
 REA Express, 209 N. Arkansas Ave., Atlantic City, New Jersey
 REA Express, 118 Guinett St. Ext., Augusta, Georgia
 REA Express, 641 Tillery, Austin, Texas
 REA Express, 730 Sumner St., Bakersfield, California
 REA Express, 69 Perry Road, Bangor, Maine

REA Express, 2nd & Keeler, Bartlesville, Oklahoma
REA Express, 133 South Front, Baton Rouge, Louisiana
REA Express, 905 Laurel, Beaumont, Texas
REA Express, Union Station, Bemidji, Minnesota

REA Express, 107 E. 1st St., Big Spring, Texas
REA Express, 2308 Montana Ave., Billings, Montana
REA Express, 1314 E. Beach Rd., Biloxi, Mississippi
REA Express, Broome Industrial Park, P. O. Box 1177, Binghamton,
New York
REA Express, B. N. Depot, Bismarck, North Dakota
REA Express, Ft. of W. Front St., Bloomington, Illinois
REA Express, 35 S. Walker St., Bloomington, Indiana
REA Express, 631 Princeton Ave., Bluefield, West Virginia
REA Express, 901 La Pointe, Boise, Idaho
REA Express, B. N. Depot, Bozeman, Montana
REA Express, 2320 E. Oak, Brainerd, Minnesota
REA Express, C & NW Depot, Brookings, South Dakota
REA Express, 1603 Price Road, Brownsville, Texas
REA Express, 1304 Oglethorpe St., Brunswick, Georgia
REA Express, 2131 Sumner, P. O. Box 415, Burlington, Iowa
REA Express, RFD 3 Rte. 127, Winooski, Vermont (Burlington)
REA Express, 211 Centennial Ave., Butte, Montana
REA Express, 200 Aquamsi St., Cape Girardeau, Missouri
REA Express, 400 N. Durbin, Casper, Wyoming
REA Express, 500 - 4th St., N. E., Cedar Rapids, Iowa
REA Express, 4300 Meeting St., Charleston Heights, Charleston,
South Carolina
REA Express, 340 McCorkle Ave., S. E., P. O. Box 3021, Charleston,
West Virginia
REA Express, Union Station, Charlottesville, Virginia
REA Express, 1318 E. 23rd St., Chattanooga, Tennessee
REA Express, 301 S. Greeley, Cheyenne, Wyoming
REA Express, 430 Orange St., Chico, California
REA Express, 510 Baltimore St., Clarksburg, West Virginia
REA Express, 10th & Commerce, Clarksville, Tennessee
REA Express, 325 - 11th Ave., South, Clinton, Iowa
REA Express, Santa Fe Grounds, Clovis, New Mexico
REA Express, 2210 Nellwood Dr., Columbia, Missouri
REA Express, P. O. Box 862, Columbia, South Carolina
REA Express, 1230 Sixth Ave., Columbus, Georgia
REA Express, Box 2282, Columbus, Mississippi
REA Express, 1159 - 25th Ave., Columbus, Nebraska
REA Express, 1212 N. Tancagua, Corpus Christi, Texas
REA Express, 821 No. Kimball, Danville, Illinois
REA Express, 109 Barter St., Danville, Virginia
REA Express, 325 Marion St., Daytona Beach, Florida
REA Express, 740 E. Cerro Gordo, Decatur, Illinois
REA Express, B N Depot, Devils Lake, North Dakota

REA Express, Ajax Rd., P. O. Box 416, Dothan, Alabama
REA Express, Iowa & Jones Sts., Dubuque, Iowa
REA Express, 1620 W. Michigan, Duluth, Minnesota
REA Express, 1019 Willow St., Duncan, Oklahoma
REA Express, 202 E. Canal St., Chippewa Falls, Wisconsin (Eau Claire)
REA Express, 204 E. Hillsboro, El Dorado, Arkansas
REA Express, 3rd & Railroad Ave., Elkins, West Virginia
REA Express, 125 E. 22nd St., Elmira Heights, Elmira, New York
REA Express, 125 E. State, Enid, Oklahoma
REA Express, 14th & Sassafras Sts., Erie, Pennsylvania
REA Express, 426 Stephenson Ave., Escanaba, Michigan
REA Express, 375 - 4th Ave., W., Eugene, Oregon
REA Express, Foot of Commercial, Eureka, California
REA Express, 1312 Maxwell, Evansville, Indiana
REA Express, 286 N. Cushman, Fairbanks, Alaska
REA Express, 522 No. North Ave., Fairmont, Minnesota
REA Express, 701 Main Avenue, Fargo, North Dakota
REA Express, Rt. 8, Hwy 71, South & Bailey Rd., Fayetteville,
Arkansas
REA Express, Santa Fe Depot, Flagstaff, Arizona
REA Express, 310 E. 14th St., Flint, Michigan
REA Express, 820 E. Day St., Florence, South Carolina
REA Express, Illinois Cent. Depot, Ft. Dodge, Iowa
REA Express, 200 S. W. 19th St., Ft. Lauderdale, Florida
REA Express, 401 W. Highway 66, Waynesboro, Missouri (Ft. Leonard
Wood)
REA Express, 2259 Peck St., Ft. Myers, Florida
REA Express, 3310 Blair Ave., Ft. Smith, Arkansas
REA Express, 233 W. Baker St., Ft. Wayne, Indiana
REA Express, 1705 Tulare St., Fresno, California
REA Express, 1001 First Ave., Gadsden, Alabama
REA Express, 1120 E. University Ave., Gainesville, Florida
REA Express, 226 S. Seminary, Galesburg, Illinois
REA Express, Santa Fe Station, Gallup, New Mexico
REA Express, 2520 Santa Fe Pla., Galveston, Texas
REA Express, P. O. Box 741, Glens Falls, New York
REA Express, 801 Demers Ave., Grand Forks, North Dakota
REA Express, 1st & Pitkin, Grand Junction, Colorado
REA Express, 6th & Kansas Ave., Great Bend, Kansas
REA Express, B.N. Building, Great Falls, Montana
REA Express, 503 Sixth St., Green Bay, Wisconsin
REA Express, 108 N. Delesseps, Greenville, Mississippi
REA Express, I.C.R.R. Bldg., Greenwood, Mississippi
REA Express, Maxwell Ave., Greenwood, South Carolina
REA Express, Soo Line Depot, Hancock, Michigan
REA Express, 520 S. Commerce, Harlingen, Texas
REA Express, 415 W. Nicholson, Harrison, Arkansas

REA Express, 204 So. Kansas, Hastings, Nebraska
 REA Express, 303 Newman, Hattiesburg, Mississippi
 REA Express, P. O. Box 1348, Havre, Montana
 REA Express, 1410 N. Montana, Helena, Montana
 REA Express, B. N. Depot, Hibbing, Minnesota
 REA Express, 3rd Ave. & 12th St., Hickory, N. C.
 REA Express, 365 N. Nimitz Hwy., Honolulu, Hawaii
 REA Express, 619 Broadway, Hot Springs, Arkansas
 REA Express 2300 8th Ave., Huntington, West Virginia
 REA Express, 710 W. 2nd St., Hutchinson, Kansas
 REA Express, 745 W. 25th St., Idaho Falls, Idaho
 REA Express, East "B" St., Iron Mountain, Michigan
 REA Express, 319 East Aurora, Ironwood, Michigan
 REA Express, 607 Elizabeth, Jackson, Michigan
 REA Express, 115 N. Mill, Jackson, Mississippi
 REA Express, 134 Depot St., Jackson, Tennessee
 REA Express, 419 W. Everett St., Falconer, New York (Jamestown)
 REA Express, 509 Hart St., Jefferson City, Missouri
 REA Express, Penn Central Depot, 47 Walnut St., Johnstown,
 Pennsylvania
 REA Express, Union Station, Jonesboro, Arkansas
 REA Express, A & Main, Joplin, Missouri
 REA Express, 3521 E. Cork St., Kalamazoo, Michigan
 REA Express, 1 - 3rd Ave., W., Kalispell, Montana
 REA Express, 1931 Central Ave., Kearney, Nebraska
 REA Express, 28 Ralston St., Keene, New Hampshire
 REA Express, 3112 Flagler Ave., Key West, Florida
 REA Express, 2469 Memorial Blvd., Kingsport, Tenn.
 REA Express, 403 E. Caswell St., Kinston, North Carolina
 REA Express, 515 No. Merion St., Kirksville, Missouri
 REA Express, 1585 Oak St., Klamath Falls, Oregon
 REA Express, Milwaukee Depot, La Crosse, Wisconsin
 REA Express, 9 South 2nd St., Lafayette, Indiana
 REA Express, 501 N. 6th St., Lafayette, Louisiana
 REA Express, 401 Railroad Ave., Lake Charles, Louisiana
 REA Express, 657 W. Avenue I, Lancaster, California
 REA Express, 57 McGovern Ave., Lancaster, Pennsylvania
 REA Express, 1st & Kearney St., Laramie, Wyoming
 REA Express, Matamoros & Sta. Isabel, Laredo, Texas
 REA Express, 301 N. Main St., Las Vegas, Nevada
 REA Express, NO & NE Depot, Laurel, Mississippi
 REA Express, 10 "F" Avenue, Lawton, Oklahoma
 REA Express, 16 Bridge St., Lewiston, Maine
 REA Express, Rock Island Depot, Box 497, Liberal, Kansas
 REA Express, 313 E. North St., Lima, Ohio
 REA Express, 201 N. 7th, Lincoln, Nebraska
 REA Express, 3976 Cherry St., Long Beach, California
 REA Express, 1715 Young St., Longview, Texas
 REA Express, 1011 Avenue E., P. O. Box 393, Lubbock, Texas
 REA Express, 323 E. Frank St., Lufkin, Texas
 REA Express, 1809 Memorial Ave., Lynchburg, Virginia
 REA Express, 220 Plum St., Macon, Georgia
 REA Express, 835 Gold St., Manchester, New Hampshire
 REA Express, 723 So. 29th St., Manitowoc, Wisconsin

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REA Express, 419 1/2 W. Washington St., Marquette, Michigan
REA Express, Box 366, Marysville, California
REA Express, 103 - 4th St., S. W., Mason City, Iowa
REA Express, 18th & Big 4, Mattoon, Illinois
REA Express, 2532 Hwy. 83, McAllen, Texas
REA Express, Norris & A St., McCook, Nebraska
REA Express, 225 N. Front St., Medford, Oregon

REA Express, 1533 M St., Merced, California
REA Express, 1805 Front St., Meridian, Mississippi

REA Express, 205 S. Sixth St., Miles City, Montana
REA Express, 400 West Central, Minot, North Dakota
REA Express, P. O. Box 402, Missoula, Montana
REA Express, Bldg. 150, Ave. G, Brookley Complex, Mobile, Alabama
REA Express, 1029 - 9th St., Modesto, California
REA Express, 1407 Pine St., Monroe, Louisiana
REA Express, 451 Del Monte St., Monterey, California
REA Express, Union Station, 35 Waters St., Montgomery, Alabama
REA Express, 37 Blanchard Ct., Montpelier, Vermont
REA Express, 221 Broadway, Mt. Vernon, Illinois
REA Express, 701 South High St., Muncie, Indiana
REA Express, 522 S. "B" St., Muskogee, Oklahoma
REA Express, 200 N. Broadway, Natchez, Mississippi
REA Express, Ft. of Willis St., New Bedford, Massachusetts
REA Express, 10 Brewery St., New Haven, Connecticut
REA Express, 179 Cross Rd., Waterford, Connecticut (New London)
REA Express, 23rd & Harbor Rd., Newport News, Virginia
REA Express, P. O. Box 537, Nogales, Arizona
REA Express, 301 Northwestern Ave., Norfolk, Nebraska
REA Express, U. P. Depot, Front & Pine, North Platte, Nebraska
REA Express, Union Station Plaza, Ocala, Florida
REA Express, West State Rd., Route 17, Allegany, New York (Olean)
REA Express, 300 Waukau Rd., Oshkosh, Wisconsin
REA Express, 501 N. Sheridan, Ottumwa, Iowa
REA Express, 1035 Frederica St., Owensboro, Kentucky
REA Express, 2603 Underpass Rd., Oxnard, California
REA Express, 201 Brown St., Paducah, Kentucky
REA Express, 292 San Rafael, Palm Springs, California
REA Express, 610 W. Beach St., Panama City, Florida
REA Express, Frisco Depot, W. Kaufman St., Paris, Texas
REA Express, 500 - 4th St., Parkersburg, West Virginia
REA Express, 115 N. Tacoma Ave., Pasco, Washington
REA Express, 3130 W. Fairfield Dr., Pensacola, Florida
REA Express, 4301 N. Main, East Peoria, Illinois (Peoria)
REA Express, 314 So. Henry, Pierre, South Dakota
REA Express, 4th & Alabama, Pine Bluff, Arkansas
REA Express, 171 So. Catherine, Plattsburgh, New York
REA Express, 1643 N. 2nd, Pocatello, Idaho
REA Express, Santa Fe Depot, Ponca City, Oklahoma
REA Express, 202 Pleasant Ave., So. Portland, Maine (Portland)

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REA Express, 700 N. W. 5th Ave., Portland, Oregon
 REA Express, 1530 - 10th St., Portsmouth, Ohio
 REA Express, P. O. Box 822, Prescott, Arizona
 REA Express, P. O. Box 1176, Skyway Industrial Park, Presque Isle,
 Maine
 REA Express, Union Depot Express Annex, Pueblo, Colorado
 REA Express, 20 N. Washington, Pulaski, Virginia
 REA Express, 109 E. Olson St., Pullman, Washington
 REA Express, P. O. Box 505, Quincy, Illinois
 REA Express, 408 5th St., Rapid City, South Dakota
 REA Express, 3500 Plaza Dr., Reading, Pennsylvania
 REA Express, 1600 Yuba St., Redding, Calif.
 REA Express, 270 Lake St., Reno, Nevada
 REA Express, Foot of Brown St., Rhinelander, Wisconsin
 REA Express, 102 Shenandoah Ave., Roanoke, Virginia
 REA Express, 2002 - 14th St., N. W., Rochester, Minnesota
 REA Express, 1310 Kishwaukee St., Rockford, Illinois
 REA Express, U. P. Passenger Depot, 501 S. Main St., Rock Springs,
 Wyoming
 REA Express, 100 Block Raleigh Rd., Rocky Mount, North Carolina
 REA Express, 610 N. Main, Roswell, New Mexico
 REA Express, 67 River St., Rutland, Vermont

 REA Express, 401 Potter St., Saginaw, Michigan
 REA Express, 618 Patee St., St. Joseph, Missouri
 REA Express, 13th & Oak Sts., Salem, Oregon
 REA Express, 522 No. 9th, Salina, Kansas
 REA Express, 701 S. Chadbourne, San Angelo, Texas
 REA Express, 1705 Rogers Ave., San Jose, California
 REA Express, 3216 W. 17th St., Santa Ana, California
 REA Express, 224 Chapala St., Santa Barbara, California
 REA Express, 628 S. McClelland, Santa Maria, California
 REA Express, 1000 Cerillos Rd., Santa Fe, New Mexico
 REA Express, 5th & Wilson Sts., Santa Rosa, California
 REA Express, Depot St., Saranac Lake, New York
 REA Express, Commerce Blvd., Hwy. 301, P. O. Box 251, Sarasota,
 Florida
 REA Express, 2611 Ashmun St., Sault Ste. Marie, Michigan
 REA Express, 2601 Seaboard Coastline Dr., Savannah, Georgia
 REA Express, B. N. Freight House, 30 West Railroad, Scotts Bluff,
 Nebraska

 REA Express, 828 Snow Street, Shreveport, Louisiana
 REA Express, Union Pacific Depot, Sidney, Nebraska
 REA Express, 600 1/2 N. Bullard, Silver City, Nebraska
 REA Express, 1501 Steuben, Sioux City, Iowa
 REA Express, 706 No. Weber, Sioux Falls, South Dakota
 REA Express, 506 W. South St., South Bend, Indiana
 REA Express, 215 N. W. Broad St., (SAL) Southern Pines, North
 Carolina
 REA Express, 304 N. Fancher, Spokane, Washington

REA Express, 3900 Peoria Rd., Springfield, Illinois
 REA Express, 714 N. W. Bypass, Springfield, Missouri
 REA Express, 152 N. Atherton St., State College, Pennsylvania
 REA Express, 18 Middlebrook Ave., Staunton, Virginia
 REA Express, East Alt. 30 & River Rd., Sterling-Rock Falls, Illinois
 REA Express, 400 E. 10th St., P. O. Box 978, Stillwater, Oklahoma
 REA Express, 936 E. Weber Ave., Stockton, California
 REA Express, 670 Industrial Drive Downtown Industrial Park,
 Tallahassee, Florida
 REA Express, 110 S. 5th St., Temple, Texas
 REA Express, 201 N. 2nd St., Terre Haute, Indiana
 REA Express, Front & Pine Sts., Terarkana, Arkansas
 REA Express, Soo Line Depot, Thief River Falls, Minnesota
 REA Express, SCL Pass. Station, Thomasville, Georgia
 REA Express, 517 Holliday St., Topeka, Kansas
 REA Express, C&O Depot, Traverse City, Michigan
 REA Express, PRR Freight House, N. Olden, Ave., Trenton, New Jersey
 REA Express, 342 E. Toole Ave., Tucson, Arizona
 REA Express, 545 Daybrite Dr., Tupelo, Mississippi
 REA Express, 2108 14th Ave., Tuscaloosa, Alabama
 REA Express, 401 Shoshone So., Twin Falls, Idaho
 REA Express, 426 N. Spring, Tyler, Texas
 REA Express, 1 No. Shore Dr., Urbana, Illinois
 REA Express, 9634 River Rd., P. O. Box 437, Utica, New York
 REA Express, 1047 Cypress St., Valdosta, Georgia
 REA Express, 1230 Holly St., Vicksburg, Mississippi
 REA Express, 900 E. Santa Rose, Victoria, Texas
 REA Express, 829 Jackson Ave., Waco, Texas
 REA Express, 1313 Airline Hwy., P. O. Box 1023, Waterloo, Iowa
 REA Express, Black River Rd., Watertown, N. Y.
 REA Express, B. N. Depot, 504 2nd Ave., S. W., P. O. Box 513,
 Watertown, South Dakota
 REA Express, East Grant St., Wausau, Wisconsin
 REA Express, Foot of Kittitas St., Wenatchee, Washington
 REA Express, 14th & Water Sts., Wheeling, West Virginia
 REA Express, 1309 - 30th St., P. O. Box 4402, Wichita Falls, Texas
 REA Express, 439 Walnut St., Williamsport, Pennsylvania
 REA Express, B. N. Building, South Main, Williston, North Dakota
 REA Express, 3504 Governor Printz Blvd., Wilmington, Delaware
 REA Express, 604 N. Front St., Wilmington, North Carolina
 REA Express, 31 Sword St., Auburn Industrial Park, Worcester,
 Massachusetts
 REA Express, 402 Oxford St., Worthington, Minnesota
 REA Express, 4 N. Front St., Yakima, Washington
 REA Express, 204 Capital Ave., Yankton, S. Dakota
 REA Express, 105 Gila St., Yuma, Arizona
 REA Express, Rt. 4, P. O. Box 354, Zanesville, Ohio

21. REA's proposed services as an air freight forwarder have previously been described in this Exhibit.

22. REA does not intend to specialize in any special type of shippers or type of commodity.

23. The Express Company, Inc., which has filed an application for international air freight forwarder authority in Docket No. 23598, will, upon receipt of that authority, use REA's services to feed Air Express and air freight to and from its 26 gateway offices.

24. (a) None.

(b) Arthur M. Wisheart was Assistant General Counsel of American Airlines from May, 1959 to July, 1969.

(c) No officer, director, manager, or stockholder of REA has been connected in any capacity with any air freight forwarder, etc. which had its operating authority suspended or revoked by the Board on account of acts or omissions which occurred during the time of such connection.

25. Not applicable.

26. Previous transportation experience of REA's officers and key personnel:

Tom Kole	Spector Freight System; Ryder Truck Lines
J. G. Cunningham	Consolidated Freightways
E. B. Kania	Pacific Intermountain Express
L. R. Masse	Pennsylvania R.R.; Chesapeake & Ohio R.R.; Alaskan Ry.; Trucking Firm
H. H. Steiner	IML Freight Company
A. M. Curtis	Garrett Freightlines, Inc.; Southern Express; IML; Viking; ICX
J. F. McQuaid	Spector Freight System; IML; Albrent Freight Lines; Liberty Motor

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J. Gallo	Spector Freight System, Inc.
T. Delutis, Director Air & International Operations	Helms Express; Preston 151 Lines
A. Pusateri, Director International Operations	Philippine Airlines; Air France, World Wide Services; Transglobal Freight
J. Kaufman, Regional Manager, Operations	Direct Air Freight; Airborne Freight Corp.; Shulman Airfreight; Smith Transportation

27. (a) Companies which hold a stock interest in applicant or in which applicant is a stockholder (in excess of 1%).^{*/}

1. REA Holding Corporation
2. REA Express, Inc. of Virginia
3. Rexco, Inc.
4. Rexco Supply Corporation
5. Fast Service Shipping Terminals, Inc.
6. REA Express (Canada) Ltd.

(b) The addresses of the principal offices of these corporations:

- 1-5. 219 East 42nd Street, New York, N.Y.
6. 5425 Dixie Road, Toronto, Canada

(c) They are all corporations.

(d) These corporations were incorporated in the following jurisdictions:

1. Delaware
2. Virginia
3. Delaware
4. Delaware
5. New York
6. Canada

^{*/} Two railroads own 0.8% of the stock of REA. See Exhibit No. REA-102.

(e) On the following dates:

1. July 11, 1969
2. October 20, 1931
3. December 9, 1957
4. May 8, 1967
5. December 4, 1946
6. January 27, 1967

(f) Percentage of company's stock held by REA:

1. 0
2. 100
3. 100
4. 100
5. 100
6. 49

(g) Percentage of REA's stock held by these corporations:

1. 99.2%
2. 0
3. 0
4. 0
5. 0
6. 0

28. For a description of the above companies' business, see Exhibit No. REA-103.

29. None.

30. No

31. See Exhibit No. REA-103.

32. Tonnage information for the fiscal year ended June 30, 1971 will be available on or about October 1, 1971, and will be supplied at that time.

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33. None.

34. REA Express, Inc. of Virginia and REA Express, Inc. are parties to agreements (effective in 1932 and 1942) relating to handling intrastate express traffic in Virginia.

35. REA will continue to purchase supplies from Rexco, and REA Express, Inc. of Virginia will continue to conduct REA's Virginia operations. FSST will continue to compete with REA for customers, but REA and it will cooperate to help facilitate joint air-surface moves if desired by shippers.

36. The benefit to the shipping public of the grant of air freight forwarder authority to REA is shown by the record in this proceeding.

37. This information will be supplied in the course of this proceeding.

38. (a) This information for the fiscal year ended June 30, 1971 will be available on or about October 1, 1971, and will be supplied at that time.

(b) This information for the fiscal year ended June 30, 1971 will be available on or about October 1, 1971, and will be supplied at that time.

(c) Salaried offices are available at the locations listed in response to item 20. The trucks and other vehicles at these offices will be available for REA's air freight forwarding.

(d) Postponed, as permitted.

(e) To be supplied.

(f) Previously filed with the C.A.B.

(g) This information for the fiscal year ended June 30, 1971 will be available on or about October 1, 1971, and will be supplied at that time.

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(h) This information for the fiscal year ended June 30, 1971 will be available on or about October 1, 1971, and will be supplied at that time.

(i) An organizational chart of REA and its affiliates listed in Item 27 is contained in Exhibit No. REA- 103 . This shows the stock ownership of each company. The officers and directors of REA are set forth in this Exhibit. The officers and directors of the other companies are the following:

REA Holding CorporationDirectors

Selig Altschul
I. B. Jenkins
Tom Kole
Spencer D. Moseley
Arthur M. Wischart

Officers:

President: Tom Kole
Secretary: Arthur M. Wischart
Treasurer: Eugene B. Kania

REA Express, Inc. of Virginia

Eugene B. Kania
Tom Kole
Spencer D. Moseley

President:

Vice-President, General Counsel
& Secretary: Arthur M. Wischart
Ass't. Secty: W. W. Meredith, Jr.
Ass't. Secty: A. R. Taintor, Jr.
Ass't. Secty: R. A. Burman

Rexco, Inc.

Jack Borofsky
Jack Courter
I. B. Jenkins

President:

Vice-President, General Counsel
& Secretary: Arthur M. Wischart
Ass't. Secty: A. R. Taintor, Jr.

Rexco Supply Corporation

Jack Borofsky	President:	
Jack Courter	V.P., General	
I. B. Jenkins	Manager:	Jack Courter
	Ass't. Secty:	A. R. Taintor, Jr.
	Ass't. Secty:	R. A. Burman
	Treasurer:	E. B. Kania
	Ass't. Treas:	D. P. Woodruff
	Ass't. Treas:	M. J. Briody

Fast Service Shipping Terminals, Inc.

Jack Borofsky	President:	Jack Borofsky
Roger Corgel	Vice-Pres:	Tom Kole
Eugene B. Kania	V.P., General	
	Counsel, &	
	Secretary:	Arthur M. Wisehart
	Ass't. Secty:	A. R. Taintor, Jr.

REA Express (Canada) Ltd.

Tom Kole	President:	M. G. Lawrence
M. G. Lawrence	Vice-Pres:	Tom Kole
Harry Spring.	Vice-Pres:	W. J. Wallace
Royce Frith	Secretary:	Royce Frith
John Parkinson		
W. J. Wallace		
Spencer D. Moseley		
(2 vacancies)		

SOURCE: Company records.

* * *

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Exhibit No. REA-T-2
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morning and can be delivered the same day. As Exhibit No. REA-351 demonstrates, 19% of our shipments reach their destination within 12 hours, and 66% within one day.

The third factor underlying Air Express's expeditious treatment is the fact that under the Air Express Agreement, Air Express is granted priority over other forms of air cargo on the aircraft.

The results of REA's widespread network, ground priority, and aircraft priority are reflected in a number of exhibits in this proceeding. I sponsor two of them: Exhibit No. REA-353 and Exhibit No. REA-351.

Exhibit No. REA-353 demonstrates that Air Express is faster than air mail in five tested markets, despite the fact that air mail has a higher priority on the aircraft than does Air Express. This survey was conducted in the following manner:

On March 22, 1971, five air mail letters were mailed at the Grand Central Station Post Office, New York City, at 5:00 p.m., March 22; five Air Express shipments were picked up at REA's office at 219 East 42nd Street, New York City, at the same time.

The test instructions provided that both the air mail letters and the Air Express packages would be sent to the REA Service Center Managers in five cities:

* * *

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Exhibit No. REA-T-8
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the smaller communities, particularly those with less than 1,000 inhabitants.^{1/} The exhibit thus provides another measure of the broad geographical distribution of Air Express.

Comparison of Exhibit Nos. REA-203, REA-204, and REA-205 demonstrates REA's readiness to serve smaller communities. These exhibits also suggest that the cost readiness-to-serve are substantial, since the distributions of Air Express revenues and facilities are inversely proportionate to each other.

Exhibit Nos. REA-204 and REA 205, as well as Exhibit No. REA-206, also show that Air Express is an important part of REA's total air and surface business at all community sizes. In other words, the tendency of Air Express to cluster at larger hubs and major points is less pronounced than with other air cargo components, and its complementary dispersion among smaller communities correspondingly greater. Hence Air Express is not incremental or ancillary to REA's surface business, but rather is an essential component of the Company's total operations.

When we turn from the population distribution of points served by Air Express to the city-pair markets in which it operates, we find that the major markets comprise only a small proportion of total Air Express business. This

^{1/} Because distribution data for shipments and revenues are unavailable in the case of Branch Package Agencies, this information does not appear in Exhibit Nos. REA-204 and REA-205. Its inclusion would not, however, alter the comparisons cited above, for the reason that the volume of business handled by the BPA's is relatively small.

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Exhibit No. REA-T-9
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instead, be the rational result of examining the logic of the express service. As I have already pointed out, this is a service which is most valuable to the public when it extends beyond the geographical bounds of direct, station-by-station, profitability. But the service cannot reach this extent in the absence of Government subsidy unless the express business of the carrier remains undiluted by competition in any markets, and unless the carrier also has the right to compete in the markets with heaviest volume.

III. The Relationship of Express Service to the Small Parcels Industry.

The central fact about the entire industry engaged in transporting regulated small shipment traffic is its slow rate of growth. The industry's volume declined by 10.4% in tonnage hauled and by 2.5% in number of shipments between 1950 and 1960, and then experienced increases of 26.1% in tonnage and 25% in number of shipments between 1960 and 1969. Even the apparent recovery since 1960 does not compare favorably with the growth in real Gross National Product of 49.2% between 1960 and 1969, and it represents no important gain even when compared with the 12.4% growth in population during this period.^{5/}

This over-all sluggishness conceals very different trends in individual sub-markets. Rail less-than-carload traffic has almost disappeared since 1950, while motor less-than-truckload traffic has grown over the last twenty years

^{5/} Percentage increases in tonnage and number of small shipments calculated from Bureau of Economics, Interstate Commerce Commission, Transport Economics, May, 1971, Tables 1 and 3, pp. 9 and 11. Increases in GNP and population calculated from Statistical Abstract of the United States, 1970, pp. 5 and 312.

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Exhibit No. REA-T-9
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by not much more than the rail decline. The tonnage gain for the combined total of LCL and LTL has amounted to only 13.5% between 1950 and 1969. Surface freight forwarders have about held their own in tonnage -- up 5% from 1950 to 1969, down 5% from 1955 to 1969. They have lost ground in number of shipments. Parcel post has lost 45% of its tonnage since 1950 -- including a loss of almost 33% since 1955. The number of parcel post shipments has gone off in about the same ratio (by 32%) over this period. Surface REA suffered drastic declines in both tonnage and number of shipments between 1950 and 1960, stabilized with respect to both throughout most of the 1960's, and experienced further declines in the last three years. The only surface regulated carrier with a highly dynamic record since 1955 is United Parcel Service, which has grown more rapidly than air express, air parcel post, or even air freight.

These data, which are developed in greater detail in Exhibits No. REA-312 through REA-317, reveal several disquieting features.

The first is that the sluggishness of small shipment volume handled by regulated carriers has occurred during an era of economic decentralization, emphasis on pre-packaging, and other changes which should move demand for freight transportation toward the small shipment end of the spectrum. Although a larger economy would constantly push the traffic volumes of established businesses up the scale from parcel to small shipment to truckload and carload, such a dynamic economy would always generate a wide range of new small shipments to fill in at the bottom of the size distribution.

NUMBER OF CITIES, TOWNS AND COMMUNITIES (HAVING
POPULATION OF 1000 OR MORE) SERVED BY REA AIR
EXPRESS, EMERY, AIRBORNE AND ACI CARRIERS -
SEPARATED BY GROUPS (POPULATION)

(In rebuttal to Exhibits PA-116; PA-T-3, p. 8;
PA-T-5, pp. 2-3; EAF-17 (No. 9), EAF-T-1, p.
3; EAF-T-2, pp. 3-4;)

REA Air Express Service provides service in far more communities than either the direct air carriers or the air freight forwarders. This Exhibit demonstrates the extent to which REA provides more extensive air cargo coverage than the direct air carriers (through Air Cargo, Inc.) and two large air freight forwarders (Emery and Airborne).

Since a carrier's tariff may list a number of "points" which are actually within one community, the number of tariff "points" listed by carriers is not itself an adequate basis for comparing the scope of service. Accordingly, this Exhibit uses "incorporated places," as defined by the Bureau of the Census, and compares the incorporated places to which REA, Emery, Airborne and ACI hold out in their tariffs to provide service.

According to the 1960 Census of Population, there are 8,216 incorporated places in the United States having at least 1,000 population.

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Exhibit No. REA-R-1215
Page 2 of 4

1. There are 678 communities with a population of 25,000 people or more. This Exhibit compares the carriers' tariffs for service at each of these locations. Of the 678, REA serves 677; Emery serves 559; Airborne serves 641, while ACI serves 632.

2. For the remaining categories, this Exhibit is based on a comparison of sample incorporated places drawn in the following manner:

<u>Population Size</u>	<u>Sample Interval</u>
10,000 - 25,000	1 out of 9
5,000 - 10,000	1 out of 13
2,500 - 5,000	1 out of 18
1,000 - 2,500	1 out of 37

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Exhibit No. REA-R-1215
Page 3 of 4

NUMBER OF CITIES, TOWNS AND COMMUNITIES (HAVING POPULATION OF
1000 OR MORE) SERVED BY REA AIR EXPRESS, EMERY, AIRBORNE AND
ACI CARRIERS - SEPARATED BY GROUPS (POPULATION)

	Number of Communities Served	Number of Communities Not Served	Percentage Served
<u>GROUP I - 678 COMMUNITIES - 25,000 OR MORE POPULATION</u>			
REA Air Express	677	1	99.9
Emery	559	119	82.4
Airborne	641	37	94.5
ACI	632	46	93.2
<u>GROUP II - 978 COMMUNITIES - 10,000 - 25,000 POPULATION</u>			
REA Air Express	970	8	97.1
Emery	546	132	55.8
Airborne	677	301	69.2
ACI	611	367	62.5
<u>GROUP III - 1282 COMMUNITIES - 5,000 - 10,000 POPULATION</u>			
REA Air Express	1,229	53	95.9
Emery	492	790	38.4
Airborne	673	609	52.5
ACI	635	647	49.5
<u>GROUP IV - 1763 COMMUNITIES - 2,500 - 5,000 POPULATION</u>			
REA Air Express	1,525	238	86.5
Emery	661	1,102	37.5
Airborne	807	956	45.8
ACI	707	1,056	40.1

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Exhibit No. REA-R- 1215
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	Number of Communities Served	Number of Communities Not Served	Percentage Served
	<u>GROUP V - 3515 COMMUNITIES - 1,000 - 2,500 POPULATION</u>		
REA Air Express	2,056	1,459	58.5
Emery	337	3,178	9.6
Airborne	598	2,917	17.0
ACI	373	3,142	10.6
	<u>CUMULATIVE - 8216 COMMUNITIES - 1,000 OR MORE POPULATION</u>		
REA Air Express	6,437	1,779	78.3
Emery	2,595	5,621	31.6
Airborne	3,396	4,820	41.3
ACI	2,958	5,258	36.0

Source: Bureau of Census - County and City Data Book, 1967
 Air Express Tariff No. 1, CAB No. 1
 REA Joint Directory of Offices, ICC No. A-3
 Emery Tariff No. 8, CAB No. 53
 Airborne Tariff No. 5-A, CAB No. 33
 Air Freight Tariff No. 3-C, CAB No. 19

EXPRESS SERVICE INVESTIGATION

Docket 22388

Wings and Wheels Express, Inc. Information Response:

II. 1. List of cities at which air freight terminal facilities are maintained by:

- a. Wings and Wheels own employees
- b. Wings and Wheels agents.

WINGS AND WHEELS EXPRESS, INC.Cities in Which Company Owned Offices are Located

II. 1 (a)

Atlanta, Georgia

Baltimore, Maryland

Boston, Massachusetts

Charlotte, North Carolina

Chicago, Illinois

Cincinnati, Ohio

Cleveland, Ohio

Dallas, Texas

Denver, Colorado

Detroit, Michigan

Greenville, North Carolina

Hartford, Connecticut

Houston, Texas

Indianapolis, Indiana

Jamaica, New York

Kansas City, Missouri

Los Angeles, California

Miami Florida

Milwaukee, Wisconsin

Minneapolis, Minnesota

Nashville, Tennessee

New Orleans, Louisiana

Newark, New Jersey

Philadelphia, Pennsylvania

Pittsburgh, Pennsylvania

Portland, Oregon

Rochester, New York

St. Louis, Missouri

San Francisco, California

Seattle, Washington

Syracuse, New York

Washington, D. C.

WINGS AND WHEELS EXPRESS, INC.Cities in Which Domestic Agents Are Located

II. 1 (b)

Latham, New York	Ft. Wayne, Indiana
Albuquerque, New Mexico	Fresno, California
Amarillo, Texas	Grand Rapids, Michigan
Anchorage, Alaska	Greensboro, North Carolina
Asheville, North Carolina	York, Pennsylvania
Baton Rouge, Louisiana	Windsor Locks, Connecticut
Binghamton, New York	Honolulu, Hawaii
Birmingham, Alabama	Huntington, West Virginia
Salt Lake City, Utah	Jackson, Mississippi
East Boston, Massachusetts	Jacksonville, Florida
Buffalo, New York	Juneau, Alaska
Cedar Rapids, Iowa	Knoxville, Tennessee
Charleston, West Virginia	Las Vegas, Nevada
Charlotte, North Carolina	Lexington, Kentucky
Chattanooga, Tennessee	Little Rock, Arkansas
W. Columbia, South Carolina	Louisville, Kentucky
Corpus Christi, Texas	Lubbock, Texas
Denver, Colorado	Memphis, Tennessee
Des Moines, Iowa	St. Paul, Minnesota
Duluth, Minnesota	Milwaukee, Wisconsin
Elmira, New York	Mobile, Alabama
Evansville, Indiana	Montgomery, Alabama
Faribanks, Alaska	Virginia Beach, Virginia
Flint, Michigan	Oklahoma City, Oklahoma
Ft. Lauderdale, Florida	Omaha, Nebraska

II. 1 (b)

Orlando, Florida
Peoria, Illinois
Phoenix, Arizona
Portland, Maine
Providence, Rhode Island
Raleigh, North Carolina
Reno, Nevada
Sandston, Virginia
Roanoke, Virginia
Rochester, New York
Sacramento, California
Midland, Michigan
Savannah, Georgia
San Diego, California
San Francisco, California
Bossier City, Louisiana
South Bend, Indiana
Liverpool, New York
Tacoma, Washington
Tampa, Florida
Terre Haute, Indiana
Toledo, Ohio
Tucson, Arizona
Tulsa, Oklahoma
West Palm Beach, Florida
Wichita, Kansas

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NARRATIVE INTRODUCTION TO EXHIBITS ON AIR EXPRESS RATE
STRUCTURE AND COMPARISONS WITH OTHER SERVICES

Exhibit PC-301 compares air freight charges with air express charges under the suspended tariff filed with the Board for effectiveness on July 27, 1970. The air freight charges include the charges for pick-up and delivery services by the airline ACI trucks. The comparisons are for shipments ranging in weight from five to 300 pounds in the 15 top ranking REA markets. With a number of exceptions, the general pattern of charges shown by the comparison is that express charges are lower for shipments of 50 pounds or less and for 100 pound shipments up to 500 miles. Freight charges are lower or comparable for 200 pound and 300 pound shipments and for 100 pound shipments carried more than 500 miles.

Exhibit PC-302 compares air freight charges with express charges under the interim tariff filed for effectiveness on September 25, 1970. The comparisons cover the same markets and range in shipment weights as Exhibit PC-301. Under the interim tariff, freight rates are less competitive in the shorter haul markets. However, express rates are substantially increased in markets over 700 miles for shipments of 100 pounds or more.

Exhibit PC-303 compares air freight charges with express charges under the old tariff. The comparison shows that under the old tariff the area where present charges are lower is somewhat more circumscribed, but the freight rate advantage is substantially greater for the larger shipments in the longer haul markets than under the interim or suspended tariff.

Exhibits PC-304, 305 and 306 compare air parcel post rates for shipments ranging from five to 70 pounds in the 15 top ranking REA markets with air express charges for like movements under the suspended, interim, and old air express tariffs. Under each of the three air express tariffs, air parcel post enjoys a rate advantage for five and ten pound shipments. The air parcel post rate advantage for these shipments is greater under the interim and suspended tariffs than under the old tariff. For shipments of 25 pounds and over, the rate advantage is wholly with air express under each of the three tariffs. The old tariff provides an initially wider but narrowing spread between rates in the progression

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STRUCTURE AND COMPARISONS WITH OTHER SERVICES

from smaller shipments over shorter distances to larger shipments over longer distances. The suspended tariff provides an initially narrower spread between air express and air parcel post rates for smaller shipments over shorter distances and an increasing advantage to air express over air parcel post for larger shipments moving over longer distances. The interim tariff is more comparable in structure and level to the suspended tariff than the old tariff.

Exhibit PC-307 compares the air express revenue to air carriers, under the suspended tariff, with the freight revenues from comparable size shipments in the range of five to 300 pounds moving in the 15 top REA markets. Exhibit PC-308 makes a similar comparison between air express revenues accruing to air carriers under the interim tariff and air freight revenues for comparable shipments. The exhibits demonstrate that for general commodity traffic, the air carriers receive less revenue from express than from freight for all shipments of 50 pounds or less, and for all poundage brackets in markets under 500 miles. In addition, express revenues are lower in most longer haul markets even for shipments of 200 pounds and 300 pounds.

Exhibit PC-309 reconstructs the structure of yields to air carriers from air express movements in 1969 based on tabulations of REA data (REA-IR-4). Estimated yields per ton-mile show generally declining yields as distance of haul (rate scale) increases. Converting the yield data to a relationship between air carrier revenues per ton and distance of haul, by multiplying each yield per ton-mile by the mid-point of the appropriate scale mileage to derive the revenues per ton, establishes that the revenues per ton accruing to air carriers for air express movements approximated \$114 per ton plus 12¢ per ton-mile.

Exhibit PC-310 compares the airlines' net yield derived under the old tariff for each mileage block with the ton-mile yields under the interim and suspended tariffs. There is a problem in such a comparison because the new contract between the airlines and REA provides for different handling of charges for substitute service and for loss and damage claims as shown in PC-111, 112, and 113.

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In addition, the \$1½ million payment to REA in November and December, 1969 depressed the overall yield for 1969 by 1.4¢ per express ton-mile flown.

In comparing the interim and suspended tariffs with the old tariff, the effect of three major differences shown in Exhibits PC-111 through 113 should be kept in mind. These differences equal approximately 3.6¢ per ton-mile, at average distances, due to: (1) the elimination of the \$1½ million payment to REA (1.4¢ per express ton-mile); (2) the substitute charges; and (3) the 36¢ of loss and damage claims, both of which will be paid by the carriers under the new agreement (2.2¢ per express ton-mile). PC-310 shows the total yield under the old tariff to be 34.7¢ and under the interim to be 38.6¢, but after these three adjustments the old would be 36.1¢ and the interim would be 36.4¢, or about the same.

In PC-311, the old, interim, and suspended tariffs are compared for various weights and various mileage blocks.

In PC-312, airline revenues per shipment under the three tariffs is shown. While this is easy to determine under the interim and suspended tariffs because it is stated separately, it must be assumed that the airlines received under the old tariff for each shipment--big or little, long haul or short haul--the identical percentage that the airlines received overall.

One month, March 1969, was selected which was prior to the special \$1½ million payment when the airlines share was 41¢ of the gross air express revenues (as compared with the 38.9¢ received for the entire year). The 41¢ share of the airlines for each five, ten, or other weight of shipment at various distances is then compared with the new tariff divisions.

These airline net amounts are then converted into ton-mile yields for the various weights and distances in PC-313, by multiplying the weight of the shipment by the mid-point mileage of the selected scales.

Exhibit PC-314 shows the difference between the three tariffs in pictorial form.

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COMPARISON OF CHARGES AT TOTAL AIR EXPRESS RATES UNDER SUSPENDED TARIFF
WITH AIR CARRIER FREIGHT RATES BY WEIGHT AND DISTANCE
(Applicable to 15 Top City Pairs Ranked by REA)

REA Scale No.	Distance (Miles)	REA Rank	City Pairs	Weight in Pounds							
				5	10	20	30	50	100	200	300
				----- (Charges in Dollars) -----							
2	186	8	New York- Boston	8.50 20.15	10.50 20.15	10.70 20.15	11.86 20.15	14.17 20.15	15.00 20.15	25.64 25.25	38.59 34.20
2	228	5	New York- Washington	8.50 18.85	10.50 18.85	10.70 18.85	11.86 18.85	14.17 18.85	15.00 18.85	25.64 23.95	38.59 34.65
2	235	4	Chicago- Detroit	8.50 17.00	10.50 17.00	10.70 17.00	11.86 17.00	14.17 17.00	15.00 17.00	25.64 22.10	38.59 31.95
4	350	7	Chicago- Minneapolis	8.50 16.75	10.50 16.75	11.08 16.75	12.44 16.75	15.16 16.75	18.00 16.75	25.64 21.85	38.59 31.65
4	424	12	New York- Cleveland	8.50 19.25	10.50 19.25	11.08 19.25	12.44 19.25	15.16 19.25	18.00 19.25	25.64 26.45	38.59 39.00
5	508	3	Detroit- New York	8.50 19.25	10.50 19.25	11.27 19.25	12.73 19.25	15.65 19.25	19.00 19.25	25.64 26.75	38.59 39.45
7	678	11	Chicago- Philadelphia	8.50 18.00	10.50 18.00	11.66 18.00	13.32 18.00	16.64 18.00	21.50 19.05	32.57 30.10	49.02 44.25
7	740	1	Chicago- New York	8.50 19.75	10.50 19.75	11.66 19.75	13.32 19.75	16.64 19.75	21.50 21.65	32.57 33.55	49.02 49.65

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COMPARISON OF CHARGES AT TOTAL AIR EXPRESS RATES UNDER SUSPENDED TARIFF
WITH AIR CARRIER FREIGHT RATES BY WEIGHTS AND DISTANCE
(Applicable to 15 Top City Pairs Ranked by REA)

REA Scale No.	Distance (Miles)	REA Rank	City Pairs	Weight in Pounds							
				5	10	20	30	50	100	200	300
				(Charges in Dollars)							
8	760	14	New York- Atlanta	8.50 18.35	10.50 18.55	11.90 18.35	13.69 18.35	17.26 18.35	22.50 20.25	34.06 32.15	51.26 47.70
10	1,028	10	Minneapolis- New York	8.50 19.00	10.50 19.00	12.28 19.00	14.27 19.00	18.25 19.00	26.50 25.00	41.18 41.00	58.86 61.50
11	1,093	15	New York- Miami	8.50 19.20	10.50 19.20	12.52 19.20	14.64 19.20	18.87 19.20	28.00 25.55	42.47 42.40	60.49 62.95
14	1,384	9	New York- Dallas	8.50 22.25	10.50 22.25	13.29 22.25	15.81 22.25	20.85 22.25	32.00 29.60	51.98 50.45	69.43 75.45
17	1,746	6	Chicago- Los Angeles	8.50 22.30	10.50 22.30	14.15 22.30	17.13 22.30	22.92 22.30	35.00 29.80	57.92 52.35	78.37 77.75
24	2,474	2	New York- Los Angeles	8.50 31.05	10.50 31.05	16.17 31.05	20.00 31.05	26.95 31.05	44.00 39.55	77.91 69.80	106.09 104.70
26	2,587	13	New York- San Francisco	8.50 33.20	10.50 33.20	16.88 33.20	20.52 33.20	28.12 33.20	46.50 41.45	82.77 73.20	113.69 109.80

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COMPARISON OF CHARGES AT TOTAL AIR EXPRESS RATES UNDER SUSPENDED TARIFF
WITH AIR CARRIER FREIGHT RATES BY WEIGHTS AND DISTANCE
(Applicable to 15 Top City Pairs Ranked by REA)

NOTE 1: Air freight charges include pick-up and delivery charges and are based on rate tariff revisions filed with the C.A.B. for effectiveness March 1, 1971, with the exception of New York-Miami rates effective February 1, 1971. Pick-up and delivery charges were effective February 1, 1971.

NOTE 2: Air express charges include pick-up and delivery service.

Source: Airline Tariff Publishers, Inc., Agent, Official Air Freight Rate Tariff No. 2, C.A.B. No. 8 and Official Air Freight Pick-up and Delivery Tariff No. 3C, C.A.B. No. 19.
G.T. Miano, Agent, Official Air Express Tariff No. 1, C.A.B. No. 1 effective July 27, 1970, and Exhibit 3 of Statement of Information and Data Supporting Tariff Change Filed with the C.A.B. For effectiveness, July 27, 1970.

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COMPARISON OF CHARGES AT TOTAL AIR EXPRESS RATES UNDER INTERIM TARIFF
WITH AIR CARRIER FREIGHT RATES
(Applicable to 15 Top City Pairs Ranked by REA)

REA Scale No.	Distance (Miles)	REA Rank	City Pairs	Weight in Pounds													
				5	10	20	30	50	100	200	300						
<hr/>																	
				(Charges in Dollars)													
2	186	8	New York- Boston	8.50 20.15	8.50 20.15	8.50 20.15	8.50 20.15	8.50 20.15	8.50 20.15	10.75 20.15	21.50 25.25	32.25 34.20	Express Freight				
2	228	5	New York- Washington	8.50 18.85	8.50 18.85	8.50 18.85	8.50 18.85	8.50 18.85	8.50 18.85	10.75 18.85	21.50 23.95	32.25 34.65	Express Freight				
2	235	4	Chicago- Detroit	8.50 17.00	8.50 17.00	8.50 17.00	8.50 17.00	8.50 17.00	8.50 17.00	10.75 17.00	21.50 22.10	32.25 31.95	Express Freight				
4	350	7	Chicago- Minneapolis	8.50 16.75	8.50 16.75	8.50 16.75	8.90 16.75	11.10 16.75	16.50 16.75	33.00 21.85	49.50 31.65	Express Freight					
4	424	12	New York- Cleveland	8.50 19.25	8.50 19.25	8.50 19.25	8.90 19.25	11.10 19.25	16.50 19.25	33.00 26.45	49.50 39.00	Express Freight					
5	508	3	Detroit- New York	8.50 19.25	8.50 19.25	8.75 19.25	10.10 19.25	12.90 19.25	19.00 19.25	35.70 26.75	52.50 39.45	Express Freight					
7	678	11	Chicago- Philadelphia	8.50 18.00	8.50 18.00	10.05 18.00	12.00 18.00	15.95 18.00	23.25 19.05	40.20 30.10	57.00 44.25	Express Freight					
7	740	1	Chicago- New York	8.50 19.75	8.50 19.75	10.05 19.75	12.00 19.75	15.95 19.75	23.25 21.65	40.20 33.55	57.00 49.65	Express Freight					
8	760	14	New York- Atlanta	8.50 18.35	8.50 18.35	10.25 18.35	12.45 18.35	16.75 18.35	25.00 20.25	41.00 32.15	57.75 47.70	Express Freight					

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COMPARISON OF CHARGES AT TOTAL AIR EXPRESS RATES UNDER INTERIM TARIFF
WITH AIR CARRIER FREIGHT RATES
(Applicable to 15 Top City Pairs Ranked by REA).

REA Scale No.	Distance (Miles)	REA Rank	City Pairs	Weight in Pounds									
				5	10	20	30	50	100	200	300		
10	1,028	10	Minneapolis- New York	8.50 19.00	8.65 19.00	11.20 19.00	13.75 19.00	17.88 19.00	29.00 25.00	46.50 41.00	65.25 61.50		
11	1,093	15	New York- Miami	8.50 19.20	9.15 19.20	11.90 19.20	14.56 19.20	18.68 19.20	31.00 25.55	55.00 42.40	70.50 62.85		
14	1,384	9	New York- Dallas	8.50 22.25	9.73 22.25	13.05 22.25	15.54 22.25	20.53 22.25	35.35 29.60	58.10 50.45	76.65 75.45		
17	1,746	6	Chicago- Los Angeles	8.50 22.30	10.50 22.30	14.15 22.30	17.13 22.30	22.92 22.30	38.45 29.80	65.20 52.35	87.15 77.85		
24	2,474	2	New York- Los Angeles	8.50 31.05	10.50 31.05	16.17 31.05	20.00 31.05	27.10 31.05	46.20 39.55	82.30 69.80	110.55 104.70		
26	2,587	13	New York- San Francisco	8.50 33.20	10.50 33.20	16.88 33.20	20.52 33.20	28.60 33.20	48.80 41.45	86.70 73.20	118.20 109.80		

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COMPARISON OF CHARGES AT TOTAL AIR EXPRESS RATES UNDER INTERIM TARIFF
WITH AIR CARRIER FREIGHT RATES
(Applicable to 15 Top City Pairs Ranked by REA)

NOTE 1: Air freight charges include pick-up and delivery charges and are based on rate tariff revisions filed with the C.A.B. for March 1, 1971, with the exception of New York-Miami rates effective February 1, 1971. Pick-up and delivery charges were effective February 1, 1971.

NOTE 2: Air express charges include pick-up and delivery services.

Source: Airline Tariff Publishers, Inc., Agent, Official Air Freight Rate Tariff No. 2, C.A.B. No. 8 and Official Air Freight Pick-Up and Delivery Tariff No. 3C, C.A.B. No. 19. G.T. Miano, Agent, Official Air Express Tariff No. 1, C.A.B. No. 1, effective September 25, 1970, and Exhibit 3 of Statement of Information and Data Supporting Tariff Change filed with the C.A.B. For Effectiveness July 27, 1970.

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COMPARISON OF CHARGES AT TOTAL AIR EXPRESS RATES UNDER OLD TARIFF
WITH AIR CARRIER FREIGHT RATES
(Applicable To The 15 Top City Pairs Ranked by REA)

REA Scale No.	Distance (Miles)	REA Rank	City Pairs	Weight in Pounds						(Charges in Dollars)	
				5	10	20	30	50	100	200	300
2	186	8	New York- Boston	8.00 20.15	8.00 20.15	8.00 20.15	8.00 20.15	8.00 20.15	8.25 20.15	16.50 25.25	24.75 34.20
2	228	5	New York- Washington	8.00 18.85	8.00 18.85	8.00 18.85	8.00 18.85	8.00 18.85	8.25 18.85	16.50 23.95	24.75 34.65
2	235	4	Chicago- Detroit	8.00 17.00	8.00 17.00	8.00 17.00	8.00 17.00	8.00 17.00	8.25 17.00	16.50 22.10	24.75 31.95
4	350	7	Chicago- Minneapolis	8.00 16.75	8.00 16.75	8.00 16.75	8.00 16.75	8.60 16.75	14.00 16.75	28.00 21.85	42.00 31.65
4	424	12	New York- Cleveland	8.00 19.25	8.00 19.25	8.00 19.25	8.00 19.25	8.60 19.25	14.00 19.25	28.00 26.45	42.00 39.00
5	508	3	Detroit- New York	8.00 19.25	8.00 19.25	8.00 19.25	8.00 19.25	10.40 19.25	17.25 19.25	34.50 26.75	51.75 39.45
7	678	11	Chicago- Philadelphia	8.00 18.00	8.00 18.00	8.00 18.00	9.50 18.00	13.45 18.00	23.25 19.05	46.50 30.10	69.75 44.25
7	740	1	Chicago- New York	8.00 19.75	8.00 19.75	8.00 19.75	9.50 19.75	13.45 19.75	23.25 21.65	46.50 33.55	69.75 49.65
8	760	14	New York- Atlanta	8.00 18.35	8.00 18.35	8.00 18.35	9.95 18.35	14.25 18.35	25.00 20.25	50.00 32.15	75.00 47.70

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COMPARISON OF CHARGES AT TOTAL AIR EXPRESS RATES UNDER OLD TARIFF
WITH AIR CARRIER FREIGHT RATES
(Applicable To The 15 Top City Pairs Ranked by REA)

REA Scale No.	Distance (Miles)	REA Rank	City Pairs	Weight in Pounds							
				5	10	20	30	50	100	200	300
10	1,028	10	Minneapolis- New York	8.00 19.00	8.00 19.00	8.70 19.00	11.25 19.00	16.30 19.00	29.00 25.00	58.00 41.00	87.00 61.50
11	1,093	15	New York- Miami	8.00 19.20	8.00 19.20	9.40 19.20	12.15 19.20	17.60 19.20	31.25 25.55	62.50 42.40	93.75 62.95
14	1,384	9	New York- Dallas	8.00 22.25	8.00 22.25	10.55 22.25	13.85 22.25	20.50 22.25	37.00 29.60	74.00 50.45	111.00 75.45
17	1,746	6	Chicago- Los Angeles	8.00 22.30	8.30 22.30	12.20 22.30	16.10 22.30	23.85 22.30	43.25 29.80	86.50 52.35	129.75 77.75
24	2,474	2	New York- Los Angeles	8.00 31.05	9.95 31.05	15.20 31.05	20.45 31.05	30.90 31.05	57.00 39.55	114.00 69.80	171.00 104.70
26	2,587	13	New York- San Francisco	8.00 33.20	9.95 33.20	15.20 33.20	20.45 33.20	30.90 33.20	57.00 41.45	114.00 73.20	171.00 109.80

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COMPARISON OF CHARGES AT TOTAL AIR EXPRESS RATES UNDER OLD TARIFF
WITH AIR CARRIER FREIGHT RATES
(Applicable To The 15 Top City Pairs Ranked by REA)

NOTE 1: Air freight charges include pick-up and delivery charges and are based on rate tariff revisions filed with the C.A.B. for effectiveness March 1, 1971, with the exception of New York-Miami rates effective February 1, 1971. Pick-up and delivery charges were effective February 1, 1971.

NOTE 2: Air express charges include pick-up and delivery service.

Source: Airline Tariff Publishers, Inc., Agent, Official Air Freight Rate Tariff No. 2, C.A.B. No. 8 and Official Air Freight Pick-Up and Delivery Tariff No. 3C, C.A.B. No. 19.

G.T. Milano, Agent, Official Air Express Tariff No. 1, C.A.B. No. 1 effective May 27, 1970 and Exhibit 3 of Statement of Information and Data Supporting Tariff Change Filed with the C.A.B. For Effectiveness, July 27, 1970.

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COMPARISON OF TOTAL AIR EXPRESS RATES UNDER THE SUSPENDED TARIFF WITH AIR PARCEL POST
(Applicable to 15 Top City Pairs Ranked by REA)

REA Scale No.	Distance (Miles)	REA Rank	City Pairs	Weight in Pounds					
				5	10	25	50	70	
				----- (Rates in Dollars) -----					
2	186	8	New York- Boston	Express Parcel Post	8.50 2.60	10.50 5.00	11.28 12.20	14.17 24.20	14.48 33.80
2	228	5	New York- Washington	Express Parcel Post	8.50 2.60	10.50 5.00	11.28 12.20	14.17 24.20	14.48 33.80
2	235	4	Chicago- Detroit	Express Parcel Post	8.50 2.60	10.50 5.00	11.28 12.20	14.17 24.20	14.48 33.80
4	350	7	Chicago- Minneapolis	Express Parcel Post	8.50 2.73	10.50 5.23	11.76 12.73	15.16 25.23	15.88 35.23
4	424	12	New York- Cleveland	Express Parcel Post	8.50 2.73	10.50 5.23	11.76 12.73	15.16 25.23	15.88 35.23
5	508	3	Detroit- New York	Express Parcel Post	8.50 2.73	10.50 5.23	12.00 12.73	15.65 25.23	16.57 35.23
7	678	11	Chicago- Philadelphia	Express Parcel Post	8.30 3.02	10.50 5.82	12.49 14.22	16.64 28.22	17.97 39.42
7	740	1	Chicago- New York	Express Parcel Post	8.50 3.02	10.50 5.82	12.49 14.22	16.64 28.22	17.97 39.42
8	760	14	New York- Atlanta	Express Parcel Post	8.50 3.02	10.50 5.82	12.79 14.22	17.26 28.22	18.84 39.42

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COMPARISON OF TOTAL AIR EXPRESS RATES UNDER THE SUSPENDED TARIFF WITH AIR PARCEL POST
(Applicable to 15 Top City Pairs Ranked by REA)

REA Scale No.	Distance (Miles)	REA Rank	City Pairs	Weight in Pounds					
				5	10	25	50	70	
				(Rates in Dollars)					
10	1,028	10	Minneapolis- New York	Express Parcel Post	8.50 3.39	10.50 6.59	13.28 16.19	18.25 32.19	21.30 44.99
11	1,093	15	New York- Miami	Express Parcel Post	8.50 3.39	10.60 6.59	13.58 16.19	18.87 32.19	21.88 44.99
14	1,384	9	New York- Dallas	Express Parcel Post	8.50 3.39	10.50 6.59	14.55 16.19	20.85 32.19	25.33 44.99
17	1,746	6	Chicago- Los Angeles	Express Parcel Post	8.50 3.71	10.50 7.31	15.64 18.11	22.92 36.11	27.65 50.51
24	2,474	2	New York- Los Angeles	Express Parcel Post	8.50 4.08	10.50 8.08	18.18 20.08	26.95 40.08	34.34 56.08
26	2,587	13	New York- San Francisco	Express Parcel Post	8.50 4.08	10.50 8.08	18.72 20.08	28.12 40.08	35.87 56.08

NOTE: Express rates include pick-up and delivery and air parcel post rates include delivery.

Source: G.T. Miano, Agent, Official Air Express Tariff No. 1, C.A.B. No. 1, Effective July 27, 1970, and Exhibit 3 of Statement of Information and Data Supporting Tariff Change filed with the C.A.B. for Effectiveness, July 27, 1970.

U.S. Postal Service, Domestic Postage Rates, Fees and Information, Notice 59, November 14, 1970.

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COMPARISON OF TOTAL AIR EXPRESS RATES UNDER THE INTERIM TARIFF WITH AIR PARCEL POST
(Applicable to the 15 Top City Pairs Ranked by REA)

(Applicable to the 15 Top City Pairs Ranked by REA)								
REA Scale No.	Distance (miles)	REA Rank	City Pairs	Weight in Pounds				
				5	10	25	50	70
				----- (Rates in Dollars) -----				
2	186	8	New York-Boston	Express \$8.50	\$ 8.50	\$ 8.50	\$ 8.50	\$ 9.25
2	228	5	New York-Washington	Parcel Post 2.60	5.00	12.20	24.20	33.80
2	235	4	Chicago-Detroit	Express 8.50	8.50	8.50	8.50	9.25
4	350	7	Chicago-Minneapolis	Parcel Post 2.60	5.00	12.20	24.20	33.80
4	424	12	New York-Cleveland	Express 8.50	8.50	8.65	11.10	13.25
5	508	3	Detroit-New York	Parcel Post 2.73	5.23	12.73	25.23	35.23
7	678	11	Chicago-Philadelphia	Express 8.50	8.50	11.05	15.95	18.82
7	740	1	Chicago-New York	Parcel Post 3.02	5.82	14.22	28.22	39.42
8	760	14	New York-Atlanta	Express 8.50	8.50	11.05	15.95	18.82
10	1,028	10	Minneapolis-New York	Parcel Post 3.02	5.82	14.22	28.22	39.42
11	1,093	15	New York-Miami	Express 8.50	8.65	12.45	17.88	21.73
14	1,384	9	New York-Dallas	Parcel Post 3.39	6.59	16.19	32.19	44.99
17	1,746	6	Chicago-Los Angeles	Express 8.50	9.15	13.30	18.68	22.81
24	2,474	2	New York-Los Angeles	Parcel Post 3.39	6.59	16.19	32.19	44.99
26	2,587	13	New York-San Francisco	Express 8.50	9.75	14.30	20.53	25.52
				Parcel Post 3.71	6.59	16.19	32.19	44.99
				Express 8.50	10.50	15.64	22.92	28.07
				Parcel Post 3.71	7.31	18.11	36.11	50.51
				Express 8.50	10.50	18.18	27.10	34.26
				Parcel Post 4.08	8.08	20.08	40.08	56.08
				Express 8.50	10.50	18.72	28.60	35.80
				Parcel Post 4.08	8.08	20.08	40.08	56.08

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COMPARISON OF TOTAL AIR EXPRESS RATES UNDER THE
INTERIM TARIFF WITH AIR PARCEL POST
(Applicable to the 15 Top City Pairs Ranked by REA)

Note: Express rates include pick up and delivery; air parcel
post rates include delivery.

Source: G.T. Miano, Agent, Official Air Express Tariff No. 1,
C.A.B. No. 1, Effective July 27, 1970, and Exhibit 3
of Statement of Information and Data Supporting
Tariff Change filed with the C.A.B. for Effectiveness,
July 27, 1970.

U.S. Postal Service, Domestic Postage Rates, Fees and
Information, Notice 59, November 14, 1970.

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COMPARISON OF TOTAL AIR EXPRESS RATES UNDER THE OLD TARIFF WITH AIR PARCEL POST
(Applicable to the 15 Top City Pairs Ranked by REA)

REA Scale No.	Distance (Miles)	REA Rank	City Pairs	Weight in Pounds				
				5	10	25	50	70
				----- (Rates in Dollars) -----				
2	186	8	New York- Boston	Express Parcel Post	8.00 5.00	8.00 12.20	8.00 24.20	8.00 33.80
2	228	5	New York- Washington	Express Parcel Post	8.00 2.60	8.00 12.20	8.00 24.20	8.00 33.80
2	235	4	Chicago- Detroit	Express Parcel Post	8.00 2.60	8.00 12.20	8.00 24.20	8.00 33.80
4	350	7	Chicago- Minneapolis	Express Parcel Post	8.00 2.73	8.00 12.73	8.60 25.23	10.75 35.23
4	424	3	New York- Cleveland	Express Parcel Post	8.00 2.73	8.00 12.73	8.60 25.23	10.75 35.23
5	503	3	Detroit- New York	Express Parcel Post	8.00 2.73	8.00 12.73	10.40 25.23	13.15 35.23
7	678	11	Chicago- Philadelphia	Express Parcel Post	8.00 3.02	8.55 14.22	13.45 28.22	17.40 39.42
7	740	1	Chicago- New York	Express Parcel Post	8.00 3.02	8.55 14.22	13.45 28.22	17.40 39.42
8	760	14	New York- Atlanta	Express Parcel Post	8.00 3.02	8.85 14.22	14.25 28.22	18.55 39.42

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COMPARISON OF TOTAL AIR EXPRESS RATES UNDER THE OLD TARIFF WITH AIR PARCEL POST
(Applicable to the 15 Top City Pairs Ranked by REA)

REA Scale No.	Distance (Miles)	REA Rank	City Pairs	Weight in Pounds				
				5	10	25	50	70
10	1,028	10	Minneapolis- New York	8.00 3.39	8.00 6.59	9.95 16.19	16.30 32.19	21.40 44.99
11	1,093	15	New York- Miami	8.00 3.39	8.00 6.59	10.80 16.19	17.60 32.19	23.05 44.99
14	1,384	9	New York- Dallas	8.00 3.39	8.00 6.59	12.20 16.19	20.50 32.19	27.10 44.99
17	1,746	6	Chicago- Los Angeles	8.00 3.71	8.30 7.31	14.15 18.11	23.85 36.11	31.60 50.51
24	2,474	2	New York- Los Angeles	8.00 4.08	9.95 8.08	17.80 20.08	30.90 40.08	41.35 56.08
26	2,587	13	New York San Francisco	8.00 4.08	9.95 8.08	17.80 20.08	30.90 40.08	41.35 56.08

NOTE: Express rates include pick-up and delivery and air parcel post rates include delivery.

Source: G.T. Miano, Agent, Official Air Express Tariff No. 1, C.A.B. No. 1, Effective May 28, 1970, and Exhibit 3 of Statement of Information and Data Supporting Tariff Change filed with the C.A.B. for Effectiveness, July 27, 1970.

U.S. Postal Service, Domestic Postage Rates, Fees and Information, Notice 59, November 14, 1970.

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AIR CARRIER REVENUE FROM EXPRESS SHIPMENTS UNDER SUSPENDED TARIFF
COMPARED TO AIR FREIGHT REVENUE BY WEIGHT AND DISTANCE
(Applicable to 15 Top City Pairs Ranked by REA)

REA Scale No.	Distance (Miles)	REA Rank	City Pairs	Weight in Pounds						Revenues In Dollars		
				5	10	20	30	50	100	200	300	
2	186	8	New York- Boston	2.50 10.00	2.50 10.00	2.50 10.00	2.50 10.00	2.50 10.00	3.90 10.00	7.80 15.10	11.70 22.65	
2	228	5	New York- Washington	2.50 10.00	2.50 10.00	2.50 10.00	2.50 10.00	2.50 10.00	3.90 10.00	7.80 15.10	11.70 22.65	
2	235	4	Chicago- Detroit	2.50 10.00	2.50 10.00	2.50 10.00	2.50 10.00	2.50 10.00	3.90 10.00	7.80 15.10	11.70 22.65	
4	350	7	Chicago- Minneapolis	2.50 10.00	2.50 10.00	2.50 10.00	2.50 10.00	3.80 10.00	7.60 10.00	14.08 15.10	21.12 22.65	
4	424	12	New York- Cleveland	2.50 10.00	2.50 10.00	2.50 10.00	2.50 10.00	3.80 10.00	7.60 10.00	14.08 17.10	21.12 25.65	
5	508	3	Detroit- New York	2.50 10.00	2.50 10.00	2.50 10.00	2.85 10.00	4.75 10.00	9.50 10.00	13.70 17.40	20.55 26.10	
7	678	11	Chicago- Philadelphia	2.50 10.00	2.50 10.00	2.59 10.00	3.89 10.00	6.48 10.00	11.97 11.05	18.34 22.10	27.51 33.15	
7	740	1	Chicago- New York	2.50 10.00	2.50 10.00	2.59 10.00	3.89 10.00	6.48 10.00	11.97 11.90	18.34 23.80	27.51 35.70	
8	760	14	New York- Atlanta	2.50 10.00	2.50 10.00	2.96 10.00	4.44 10.00	7.40 10.00	13.32 11.90	20.80 23.80	31.20 35.70	

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AIR CARRIER REVENUE FROM EXPRESS SHIPMENTS UNDER SUSPENDED TARIFF
COMPARED TO AIR FREIGHT REVENUE BY WEIGHT AND DISTANCE
(Applicable to 15 Top City Pairs Ranked By REA)

REA Scale No.	Distance (Miles)	REA Rank	City Pairs	Weight in Pounds							(Revenues In Dollars)		
				5	10	20	30	50	100	200	300	2.50	10.00
10	1,028	10	Minneapolis- New York	Express Freight	2.50 10.00	2.50 10.00	3.60 10.00	5.40 10.00	9.00 10.00	17.00 16.15	26.00 32.30	39.00 48.45	
11	1,093	15	New York- Miami	Express Freight	2.50 10.50	2.50 10.50	3.96 10.50	5.94 10.50	9.90 10.50	17.77 16.85	28.60 33.70	42.90 50.55	
14	1,384	9	New York- Dallas	Express Freight	2.50 13.50	2.50 13.50	4.90 13.50	7.35 13.50	12.25 13.50	21.21 20.85	36.40 41.70	54.60 62.55	
17	1,746	6	Chicago- Los Angeles	Express Freight	2.50 15.00	2.89 15.00	5.78 15.00	8.67 15.00	13.90 15.00	23.38 22.50	44.20 45.00	66.30 67.50	
24	2,474	2	New York- Los Angeles	Express Freight	2.50 21.50	3.84 21.50	7.68 21.50	11.27 21.50	16.74 21.50	31.20 30.10	62.40 60.20	96.60 90.30	
26	2,587	13	New York- San Francisco	Express Freight	2.50 23.00	4.03 23.00	8.06 23.00	12.09 23.00	18.33 23.00	33.80 31.25	67.60 62.50	101.40 93.75	

Source: Letter to the C.A.B. dated July 25, 1970 from Russel S. Bernhard, Attorney for the parties filing amendment to Air Express Agreement between REA Express and certain air carriers.
Airline Tariff Publishers, Inc. Official Air Freight Rate Tariff No. 2, C.A.B. No. 8, (Revisions to be effective March 1, 1971, except for rates between New York and Miami, effective February 1, 1971).

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AIR CARRIER REVENUE FROM EXPRESS SHIPMENTS UNDER INTERIM TARIFF
COMPARED TO AIR FREIGHT REVENUE BY WEIGHT AND DISTANCE
(Applicable to 15 Top City Pairs Ranked By REA)

REA Rank	Distance (Miles)	City Pairs	Weight in Pounds							
			5	10	20	30	50	100	200	300
			{Revenues in Dollars}							
2	186	8 New York- Boston	Express 2.40 Freight 10.00	2.40 10.00	2.40 10.00	2.40 10.00	2.40 10.00	3.70 10.00	7.40 15.10	11.10 22.65
2	228	5 New York- Washington	Express 2.40 Freight 10.00	2.40 10.00	2.40 10.00	2.40 10.00	2.40 10.00	3.70 10.00	7.40 15.10	11.10 22.65
2	235	4 Chicago- Detroit	Express 2.40 Freight 10.00	2.40 10.00	2.40 10.00	2.40 10.00	2.40 10.00	3.70 10.00	7.40 15.10	11.10 22.65
4	350	7 Chicago- Minneapolis	Express 2.40 Freight 10.00	2.40 10.00	2.40 10.00	2.40 10.00	3.60 10.00	7.20 10.00	14.40 15.10	21.60 22.65
4	424	12 New York- Cleveland	Express 2.40 Freight 10.00	2.40 10.00	2.40 10.00	2.40 10.00	3.60 10.00	7.20 10.00	14.40 17.10	21.60 25.65
5	508	3 Detroit- New York	Express 2.40 Freight 10.00	2.40 10.00	2.40 10.00	2.70 10.00	4.50 10.00	9.00 10.00	18.00 17.40	27.00 26.10
7	678	11 Chicago- Philadelphia	Express 2.40 Freight 10.00	2.40 10.00	2.46 10.00	3.69 10.00	6.15 10.00	12.30 11.05	21.22 22.10	30.30 33.15
7	740	1 Chicago- New York	Express 2.40 Freight 10.00	2.40 10.00	2.46 10.00	3.69 10.00	6.15 10.00	12.30 11.90	21.22 23.80	30.30 35.70
8	760	14 New York- Atlanta	Express 2.40 Freight 10.00	2.40 10.00	2.80 10.00	4.20 10.00	7.00 10.00	14.00 11.90	22.96 23.80	32.40 35.70

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AIR CARRIER REVENUE FROM EXPRESS SHIPMENTS UNDER INTERIM TARIFF
COMPARED TO AIR FREIGHT REVENUE BY WEIGHT AND DISTANCE
(Applicable To 15 Top City Pairs Ranked By REA)

REA Scale No.	Distance (Miles)	REA Rank	City Pairs	Weight in Pounds						(Revenues in Dollars)					
				5	10	20	30	50	100	200	300	5	10	20	30
10	1,028	10	Minneapolis- New York	2.40	2.40	3.40	5.10	8.50	17.00	27.30	38.25	2.40	2.40	3.40	5.10
			Express Freight	10.00	10.00	10.00	10.00	10.00	16.15	32.30	48.45	10.00	10.00	10.00	10.00
11	1,093	15	New York- Miami	2.40	2.40	3.74	5.61	9.35	18.54	32.90	41.58	2.40	2.40	3.74	5.61
			Express Freight	9.50	10.50	10.50	10.50	10.50	16.85	33.70	50.55	9.50	10.50	10.50	10.50
14	1,384	9	New York- Dallas	2.40	2.40	4.62	6.93	11.55	22.05	36.26	50.40	2.40	2.40	4.62	6.93
			Express Freight	13.50	13.50	13.50	13.50	13.50	20.85	41.70	62.55	13.50	13.50	13.50	13.50
17	1,746	6	Chicago- Los Angeles	2.40	2.72	5.44	8.16	13.09	24.14	40.98	61.20	2.40	2.72	5.44	8.16
			Express Freight	15.00	15.00	15.00	15.00	15.00	22.50	45.00	67.50	15.00	15.00	15.00	15.00
24	2,474	2	New York- Los Angeles	2.40	3.60	7.20	10.55	15.78	28.80	57.60	86.40	2.40	3.60	7.20	10.55
			Express Freight	21.50	21.50	21.50	21.50	21.50	30.10	60.20	90.30	21.50	21.50	21.50	21.50
26	2,587	13	New York- San Francisco	2.40	3.77	7.54	11.31	17.49	32.24	62.40	93.60	2.40	3.77	7.54	11.31
			Express Freight	23.00	23.00	23.00	23.00	23.00	31.25	62.50	93.75	23.00	23.00	23.00	23.00

Source: Letter to the C.A.B. dated August 24, 1970 from Russell S. Bernhard, Attorney for the parties filing amendment to Air Express Agreement between REA Express and certain air carriers.
Airline Tariff Publishers, Inc., Official Air Freight Rate Tariff No. 2, C.A.B. No. 8 (Revisions to be effective March 1, 1971, except for rates between New York and Miami, effective February 1, 1971).

AIR CARRIERS YIELD FROM GENERAL COMMODITY TRAFFIC IN 1969
PRORATED TO VARIOUS RATE SCALES

Rate Scale	General Commodity Revenues 1969 $\frac{1}{1}$	Airline Net Revenues at $\frac{2}{39.9\%}$	Pounds per Rate Scale $\frac{1}{(000)}$	Mid Point of Scale Mileage $\frac{1}{(4)}$	Ton Miles Gen. Comm. Traffic $\frac{3}{(000)}$	Ton Miles Adjusted for Circuitry @ 1.084/ (000) $\frac{6}{(7)}$	Yield per Ton Mile Col. 2 \div Col. 6 $\frac{5}{(7)}$
1-2	\$ 7,423,752	\$ 2,962,077	36,630.1	200	3,663.0	3,956.0	74.9¢
3	5,853,422	2,335,515	26,116.1	300	3,917.4	4,230.8	55.2
4	5,709,157	2,277,954	22,665.6	400	4,533.1	4,895.7	46.5
5	6,667,364	2,660,278	24,862.4	500	6,215.6	6,712.8	39.6
6	6,683,039	2,666,533	21,461.2	600	6,438.4	6,953.5	38.3
7	7,495,435	2,990,679	21,940.2	700	7,679.1	8,293.4	36.1
8	4,428,236	1,766,866	11,184.4	800	4,473.8	4,831.7	36.6
9	4,820,831	1,923,512	11,589.9	900	5,215.5	5,632.7	34.1
10	4,287,733	1,710,805	9,714.1	1,000	4,857.1	5,245.7	32.6
11	2,955,813	1,179,369	6,114.0	1,100	3,362.7	3,631.7	32.5
12	3,357,037	1,339,458	6,724.2	1,200	4,034.5	4,357.3	30.7
13	2,213,598	883,226	4,210.7	1,300	2,737.0	2,956.0	29.9
14	2,526,581	1,008,106	4,444.0	1,400	3,110.8	3,359.7	30.0
15	1,547,140	609,320	2,634.9	1,500	1,976.2	2,134.3	28.5
16	1,655,688	660,620	2,702.3	1,600	2,161.8	2,334.7	28.3
17	2,274,889	907,681	3,592.3	1,700	3,053.5	3,297.8	27.5
18	1,540,163	614,525	2,316.7	1,800	2,085.0	2,251.8	27.3
19	2,199,103	877,442	3,264.2	1,900	3,101.0	3,349.1	26.2
20	2,775,320	1,107,353	4,088.3	2,000	4,088.3	4,415.34	25.1
21	1,462,780	583,649	1,959.8	2,100	2,057.8	2,222.4	26.3
22	1,550,333	618,583	2,115.9	2,200	2,327.5	2,513.7	24.6
23	1,452,529	579,559	1,917.3	2,300	2,204.9	2,381.3	24.3
24	3,311,310	1,321,213	3,903.8	2,400	4,684.6	5,059.4	26.1
25	1,086,430	433,486	1,324.7	2,500	1,655.9	1,788.4	24.2
26	1,591,338	634,944	1,896.3	2,600	2,465.2	2,662.4	23.8
27	462,080	184,370	561.0	2,700	757.4	818.0	22.5
28	-	-	-	2,800	-	-	-
29	28,700	11,451	57.0	2,900	82.7	89.3	12.8
	\$87,339,780	\$34,848,572	239,991.4		92,939.5	100,374.4	34.7¢

Note: Columns may not add due to rounding.

AIR CARRIERS YIELD FROM GENERAL COMMODITY TRAFFIC
IN 1969 PRORATED TO VARIOUS RATE SCALES

- 1/ REA-IR-4.
- 2/ Col. (1) x 39.9% equals 38.9% general commodity transportation charges and ~~1.0%~~ for value charges per PC-113.
- 3/ Col. (3) x Col. (4) ÷ 2,000.
- 4/ Col. (5) + 8%.
- 5/ Col. (2) ÷ Col. (6).

AIR CARRIERS YIELD FROM GENERAL COMMODITY
TRAFFIC IN 1969, PRORATED TO VARIOUS RATE SCALES
UNDER OLD, INTERIM, AND SUSPENDED TARIFFS

Rate Scale (1)	1969 Ton-Miles Adjusted for Circuity ^{1/} (2) (000)	Yield per Ton-Mile, ^{1/} Old Tariff ^{1/} (3)	Yield per Ton-Mile, Interim Tariff ^{2/} (4)	Yield per Ton-Mile Suspended ^{2/} Tariff ^{2/} (5)
1-2	3,956.0	74.9¢	77.3¢	80.8¢
3	4,230.8	55.2	60.1	62.8
4	4,895.7	46.5	50.4	51.4
5	6,712.8	39.6	44.3	43.9
6	6,953.5	38.3	42.9	43.4
7	8,293.4	36.1	39.7	40.2
8	4,831.7	36.6	38.8	40.1
9	5,632.7	34.1	38.3	39.4
10	5,245.7	32.6	36.2	37.5
11	3,631.7	32.5	37.0	38.0
12	4,357.3	30.7	35.5	36.9
13	2,956.0	29.9	34.5	35.9
14	3,359.7	30.0	33.7	35.3
15	2,134.3	28.5	33.3	34.7
16	2,334.7	28.3	32.1	33.6
17	3,297.8	27.5	31.5	33.0
18	2,251.8	27.3	31.4	33.1
19	3,349.1	26.2	30.3	31.9
20	4,415.3	25.1	28.7	30.3
21	2,222.4	26.3	28.7	30.3
22	2,513.7	24.6	27.4	29.2
23	2,318.3 2,276.3	24.3	27.0	30.1
24	5,059.4	26.1	28.7	28.7
25	1,788.4	24.2	27.6	29.3
26	2,662.4	23.8	28.2	29.8
27	818.0	22.5	28.0	29.8
28	-	-	-	-
29	89.3	12.8	26.4	28.3
Total	100,374.7	34.7¢	38.6¢	40.0¢ 39.9¢

^{1/} PC-309.^{2/} Page 2 of this exhibit.

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AIR CARRIERS YIELD FROM GENERAL COMMODITY
TRAFFIC IN 1969, PRORATED TO VARIOUS RATE SCALES
UNDER OLD, INTERIM, AND SUSPENDED TARIFFS

Rate Scale (1)	Ton-Miles Adjusted for Circuity ^{1/} (2)	Airline Revenues Under Interim Tariff ^{2/} (3)	Yield Under Interim Tariff ^{3/} (4)	Airline Revenues Under Suspended ^{2/} Tariff (5)	Yield Under Suspended Tariff ^{4/} (6)
	(000)				
1-2	3,956.0	\$3,059,265	77.3¢	\$3,196,915	80.8¢
3	4,230.8	2,544,409	60.1	2,635,255	62.8
4	4,895.7	2,465,058	50.4	2,514,834	51.4
5	6,712.8	2,975,292	44.3	2,945,409	43.9
6	6,953.5	2,982,886	42.9	3,021,149	43.4
7	8,293.4	3,292,662	39.7	3,334,630	40.2
8	4,831.7	1,873,792	38.8	1,935,766	40.1
9	5,632.7	2,159,531	38.3	2,218,496	39.4
10	5,245.7	1,898,460	36.2	1,964,988	37.5
11	3,631.7	1,342,159	37.0	1,379,306	38.0
12	4,357.3	1,548,606	35.5	1,606,413	36.9
13	2,956.0	1,020,000	34.5	1,060,354	35.9
14	3,359.7	1,131,679	33.7	1,185,039	35.3
15	2,134.3	710,922	33.3	740,223	34.7
16	2,334.7	750,161	32.1	785,488	33.6
17	3,297.8	1,037,719	31.5	1,089,723	33.0
18	2,251.8	707,148	31.4	744,538	33.1
19	3,349.1	1,014,992	30.3	1,068,918	31.9
20	4,415.4	1,269,386	28.7	1,338,384	30.3
21	2,222.4	638,115	28.7	674,010	30.3
22	2,513.7	688,911	27.4	730,957	29.1
23	2,381.3	671,788	28.2	714,604	30.1
24	5,059.4	1,450,759	28.7	1,545,485	30.5
25	1,788.4	493,408	27.6	523,834	29.3
26	2,662.4	749,678	28.2	792,915	29.8
27	818.0	229,091	28.0	243,874	29.8
28	-	-	-	-	-
29	89.3	23,540	26.4	25,240	28.3
Total	100,374.7	38,729,417	38.6	40,036,746	39.9

^{1/} PC-309.

^{2/} PC-114.

^{3/} Col. (3) ÷ Col. (2) = Col. (4).

^{4/} Col. (5) ÷ Col. (2) = Col. (6).

COMPARISON OF AIR EXPRESS GENERAL COMMODITY TOTAL
CHARGES AT SELECTED WEIGHTS AND DISTANCES UNDER
PREVIOUS, SUSPENDED AND INTERIM TARIFFS

Weight of Shipment (Pounds)	Rate Code O-Previous S-Suspended I-Interim	REA Express Rate Scale No. And Median Scale Distance In Miles									
		2 200	3 300	5 500	10 1,000	15 1,500	20 2,000	25 2,500	29 2,900		
5	O	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00
	S	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
	I	8.50	8.50	8.50	8.00	8.50	8.50	8.50	8.50	8.50	8.50
10	O	8.00	8.00	8.00	8.00	8.00	8.90	9.95	9.95	9.95	9.95
	S	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
	I	8.50	8.50	8.50	8.65	10.25	10.50	10.50	10.50	10.50	10.50
15	O	8.00	8.00	8.00	8.00	9.50	11.10	12.60	12.60	12.60	12.60
	S	10.60	10.70	10.89	11.39	12.04	12.76	13.48	13.48	14.05	14.05
	I	8.50	8.50	8.50	9.95	12.00	12.76	13.48	13.48	14.05	14.05
20	O	8.00	8.00	8.00	8.70	11.25	13.35	15.20	15.20	15.20	15.20
	S	10.70	10.89	11.27	12.28	13.58	15.02	16.45	16.45	17.60	17.60
	I	8.50	8.50	8.75	11.20	13.32	15.02	16.45	16.45	17.60	17.60
25	O	8.00	8.00	8.00	9.95	13.00	15.55	17.80	17.80	17.80	17.80
	S	11.28	11.52	12.00	13.28	14.91	16.73	18.50	18.50	19.80	19.80
	I	8.50	8.50	9.45	12.45	14.65	16.73	18.50	18.50	19.80	19.80
30	O	8.00	8.00	8.00	11.25	14.75	17.80	20.45	20.45	20.45	20.45
	S	11.86	12.15	12.73	14.27	16.25	18.44	20.33	20.33	21.96	21.96
	I	8.50	8.50	10.10	13.75	15.97	18.44	20.33	20.33	21.96	21.96

COMPARISON OF AIR EXPRESS GENERAL COMMODITY TOTAL
CHARGES AT SELECTED WEIGHTS AND DISTANCES UNDER
PREVIOUS, SUSPENDED AND INTERIM TARIFFS

Weight of Shipment (Pounds)	Rate Code O-Previous S-Suspended I-Interim	REA Express Rate Scale No. And Median Scale Distance In Miles									
		2 200	3 300	5 500	10 1,000	15 1,500	20 2,000	25 2,500	29 2,900		
40	O	\$ 8.00	\$ 8.00	\$ 9.00	\$ 13.80	\$ 18.25	\$ 22.25	\$ 25.65	\$ 25.65		
	S	13.01	13.41	14.19	16.26	18.92	21.57	23.75	26.55		
	I	8.50	9.00	11.50	15.96	18.62	21.64	24.20	26.55		
50	O	8.00	8.00	10.40	16.30	21.75	26.70	30.90	30.90		
	S	14.17	14.66	15.65	18.75	21.59	24.44	27.49	31.20		
	I	8.50	9.80	12.90	17.88	21.26	24.60	28.06	31.20		
75	O	8.00	9.30	13.60	22.65	30.50	37.85	43.95	43.95		
	S	14.56	15.31	16.80	22.15	27.40	31.48	36.77	41.47		
	I	9.50	11.80	16.30	22.69	27.88	32.00	37.73	41.10		
100	O	8.25	11.25	17.35	29.00	39.25	49.00	57.00	57.00		
	S	15.00	16.50	19.00	26.50	33.50	38.40	45.00	51.00		
	I	10.75	13.75	19.00	29.00	36.30	40.55	48.40	51.00		
200	O	16.50	22.50	34.70	58.00	78.50	98.00	114.00	114.00		
	S	25.64	25.64	25.64	41.18	53.46	65.34	79.40	96.72		
	I	21.50	27.50	35.70	46.50	60.30	69.60	83.80	97.70		
300	O	24.75	33.75	51.75	87.00	117.75	147.00	171.00	171.00		
	S	38.59	38.59	38.59	58.86	71.67	89.25	109.52	134.40		
	I	32.25	41.25	52.50	65.25	79.80	93.60	114.00	135.30		

Source:

G.T. Miano, Agent, Official Air Express Tariff No. 1, C.A.B. No. 1, Section 5 Revisions Effective May 28, 1970, July 27, 1970 and September 25, 1970.
Letters to the C.A.B. dated July 25, 1970 and August 24, 1970, filing amendments to Air Express Agreement Between REA Express and Certain Air Carriers from Russell S. Bernhard, Attorney for the Parties.

COMPARISON OF AIR CARRIER PORTION OF AIR EXPRESS
GENERAL COMMODITY TOTAL CHARGES UNDER
PREVIOUS, SUSPENDED AND INTERIM RATES AT SELECTED WEIGHTS AND DISTANCES

Weight of Shipment (Pounds)	Rate Code O-Previous S-Suspended I-Interim	REA Express Rate Scale No. And Median Scale Distance In Miles									
		2	3	5	10	15	20	25	29		
5	O	2.46	2.46	2.46	2.46	2.46	2.73	3.01	3.01	\$	3.01
	S	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50		2.50
	I	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40		2.40
10	O	2.46	2.46	2.46	2.52	3.18	3.65	4.08	4.08		4.08
	S	2.50	2.50	2.50	2.50	2.63	3.30	3.88	4.35		4.35
	I	2.40	2.40	2.40	2.40	2.48	3.10	3.63	4.06		4.06
15	O	2.46	2.46	2.46	3.05	3.90	4.55	5.17	5.17		5.17
	S	2.50	2.50	2.50	2.70	3.94	4.95	5.81	6.53		6.53
	I	2.40	2.40	2.40	2.55	3.72	4.65	5.45	6.09		6.09
20	O	2.46	2.46	2.56	3.57	4.61	5.47	6.23	6.23		6.23
	S	2.50	2.50	2.50	3.60	5.25	6.60	7.75	8.70		8.70
	I	2.40	2.40	2.40	3.40	4.96	6.20	7.26	8.12		8.12
25	O	2.46	2.46	2.85	4.08	5.33	6.38	7.30	7.30		7.30
	S	2.50	2.50	2.50	4.50	6.56	8.25	9.69	10.88		10.88
	I	2.40	2.40	2.40	4.25	6.20	7.75	9.08	10.15		10.15
30	O	2.46	2.46	3.12	4.61	6.65	7.30	8.38	8.38		8.38
	S	2.50	2.50	2.85	5.40	7.88	9.90	11.51	13.05		13.05
	I	2.40	2.40	2.70	5.10	7.44	9.30	10.80	12.18		12.18

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COMPARISON OF AIR CARRIER PORTION OF AIR EXPRESS
GENERAL COMMODITY TOTAL CHARGES UNDER
PREVIOUS, SUSPENDED AND INTERIM RATES AT SELECTED WEIGHTS AND DISTANCES

Weight of Shipment (Pounds)	Rate Code O-Previous S-Suspended I-Interim	REA Express Rate Scale No. And Median Scale Distance In Miles									
		2	3	5	10	15	20	25	29		
40	O	2.46	\$ 2.67	\$ 3.69	\$ 5.66	\$ 7.48	\$ 9.12	\$ 10.52	\$ 10.52	\$ 10.52	\$ 10.52
	S	2.50	2.50	3.80	7.20	10.50	12.80	14.35	17.40	17.40	17.40
	I	2.40	2.40	3.60	6.80	9.92	12.08	13.65	16.24	16.24	16.24
50	O	2.46	2.99	4.26	6.08	8.92	10.95	12.67	12.67	12.67	12.67
	S	2.50	2.93	4.75	9.00	13.05	15.10	17.25	21.75	21.75	21.75
	I	2.40	2.80	4.50	8.50	12.08	14.30	16.44	20.30	20.30	20.30
75	O	2.27	3.81	5.66	9.29	12.51	15.52	18.02	18.02	18.02	18.02
	S	2.93	4.39	7.13	13.20	17.68	20.63	24.39	30.79	30.79	30.79
	I	2.78	4.20	6.75	12.60	17.00	19.65	23.36	28.51	28.51	28.51
100	O	3.38	4.61	7.07	11.89	16.09	20.09	23.37	23.37	23.37	23.37
	S	3.90	5.85	9.50	16.45	22.13	26.00	32.50	39.01	39.01	39.01
	I	3.70	5.60	9.00	17.00	22.88	25.70	30.13	36.40	36.40	36.40
200	O	6.76	9.22	14.14	23.78	32.18	40.18	46.74	46.74	46.74	46.74
	S	7.80	11.70	13.70	26.00	39.00	52.00	65.00	75.40	75.40	75.40
	I	7.40	11.10	18.00	27.30	37.96	48.00	60.00	69.60	69.60	69.60
300	O	10.14	13.83	21.21	35.67	48.27	60.27	70.11	70.11	70.11	70.11
	S	11.70	17.55	20.55	39.00	58.50	78.00	97.50	113.10	113.10	113.10
	I	11.10	16.65	27.00	38.25	54.00	72.00	90.00	104.40	104.40	104.40

Source: G.T. Miano, Agent, Official Air Express Tariff No. 1, C.A.B. No. 1, Section 5 Revisions Effective May 28, 1970, July 27, 1970 and September 25, 1970.

Letters to the C.A.B. dated July 25, 1970 and August 24, 1970, filing amendments to Air Express Agreement Between REA Express and Certain Air Carriers from Russell S. Bernhard, Attorney for the Parties.

Investigation of
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CAB Docket 22387

Exhibit PC-313
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COMPARISON OF AIR CARRIER TON MILE YIELDS FOR GENERAL COMMODITY
AIR EXPRESS UNDER THE PREVIOUS, SUSPENDED AND INTERIM RATES AT
SELECTED WEIGHTS AND DISTANCES

Weight of Shipment (Pounds)	Rate Code O-Previous S-Suspended I-Interim	REA Express Rate Scale No. And Median Scale Distance In Miles									
		2 200	3 300	5 500	10 1,000	15 1,500	20 2,000	25 2,500	29 2,900		
5	O	492.0¢	328.0¢	196.8¢	98.4	65.6¢	54.8¢	48.2¢	37.7¢		
	S	500.0	333.3	200.0	100.0	66.7	50.0	40.0	34.5		
	I	480.0	320.0	192.0	96.0	64.0	48.0	38.4	33.1		
10	O	246.0	164.0	98.4	50.4	42.4	36.5	32.6	28.1		
	S	250.0	166.7	100.0	50.0	35.1	33.0	31.0	30.0		
	I	240.0	160.0	96.0	48.0	33.1	31.0	29.0	28.0		
20	O	123.0	82.0	51.4	35.7	30.7	27.4	24.9	21.5		
	S	125.0	83.3	50.0	36.0	35.0	33.0	31.0	30.0		
	I	120.0	80.0	48.0	34.0	33.1	31.0	29.0	28.0		
30	O	82.0	54.7	41.6	30.7	26.9	24.3	22.3	19.3		
	S	83.3	55.6	38.0	36.0	35.0	33.0	30.7	30.0		
	I	80.0	53.3	36.0	34.0	33.1	31.0	28.8	28.0		
50	O	49.2	39.9	34.1	26.7	23.8	21.9	20.3	17.5		
	S	50.0	39.1	38.0	36.0	34.8	30.2	27.6	30.0		
	I	48.0	37.3	36.0	34.0	32.2	28.6	26.3	28.0		

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COMPARISON OF AIR CARRIER TON MILE YIELDS FOR GENERAL COMMODITY
AIR EXPRESS UNDER THE PREVIOUS, SUSPENDED AND INTERIM RATES AT
SELECTED WEIGHTS AND DISTANCES

Weight of Shipment (Pounds)	Rate Code O-Previous S-Suspended I-Interim	REA Express Rate Scale No. And Median Scale Distance In Miles									
		2 200	3 300	5 500	10 1,000	15 1,500	20 2,000	25 2,500	29 2,900		
100	O	33.8¢	30.7¢	28.3¢	23.8¢	21.5¢	20.1¢	18.7¢	16.1¢		
	S	39.0	39.0	38.0	32.9	29.5	26.0	26.0	26.9		
	I	37.0	37.3	36.0	34.0	30.5	25.7	24.1	25.1		
200	O	33.8	30.7	28.3 v	23.8	21.5	20.1	18.7	16.1		
	S	39.0	39.0	27.4	26.0	26.0	26.0	26.0	26.0		
	I	37.0	37.0	36.0	27.3	25.3	24.0	24.0	24.0		
300	O	33.8	30.7	28.3	23.8	21.5	20.1	18.7	16.1		
	S	39.0	39.0	27.4	26.0	26.0	26.0	26.0	26.0		
	I	37.0	37.0	36.0	35.5	24.0	24.0	24.0	24.0		

Source: G.T. Milano, Agent, Official Air Express Tariff No.1, C.A.B. No.1, Section 5 Revisions Effective July 1, 1969, July 27, 1970 and September 25, 1970.
Letters to the C.A.B. dated July 25, 1970 and August 24, 1970 filing amendments to the Express Agreement between REA Express and certain air carriers from Russell S. Bernhard, Attorney For the Parties.

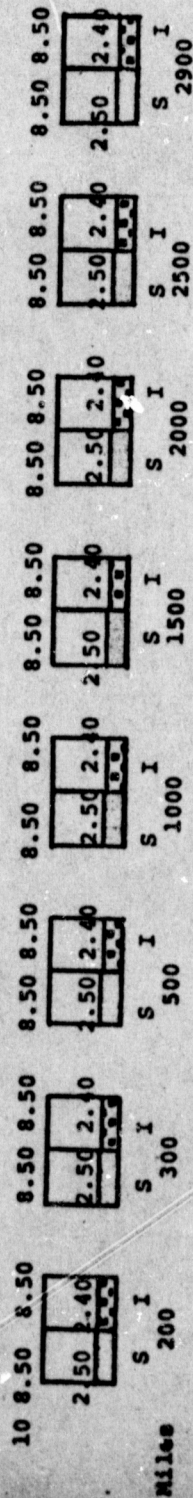
Investigation of
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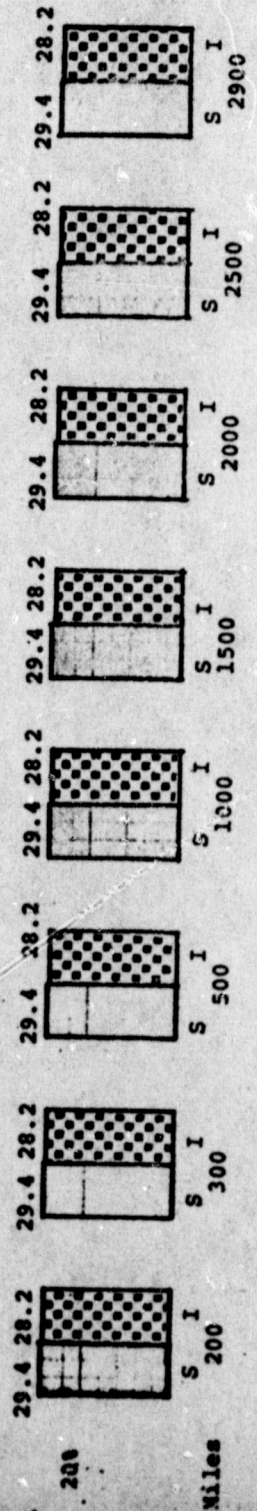
COMPARISON OF AIRLINE PORTION OF
SUSPENDED AND INTERIM TARIFFS FOR
GENERAL COMMODITY OF 5 POUNDS
(SELECTED DISTANCES)

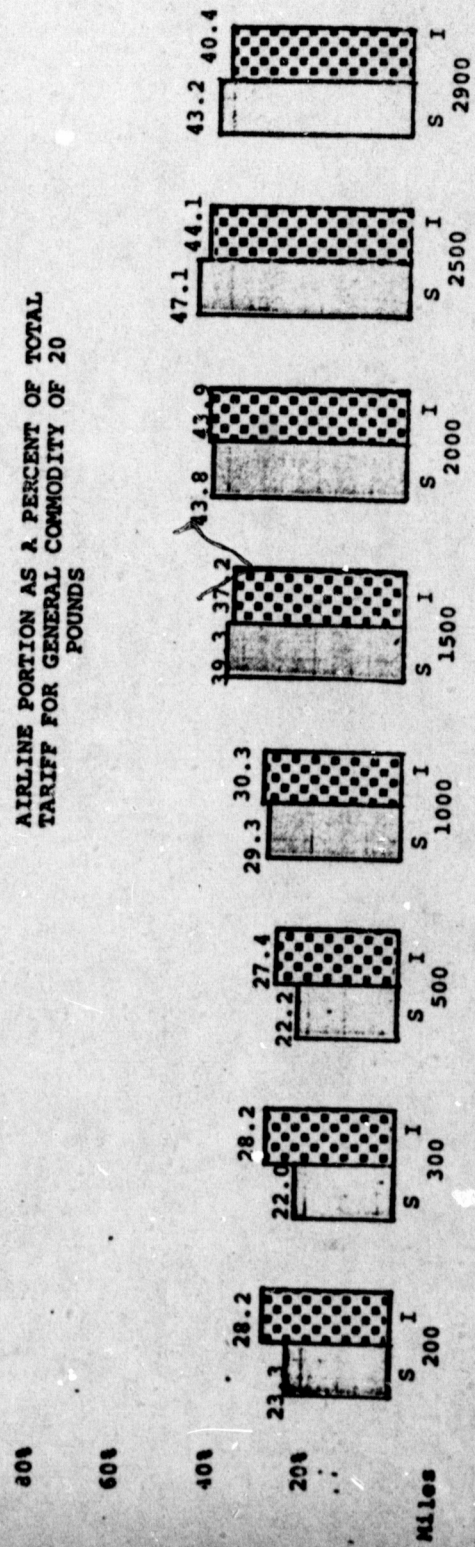
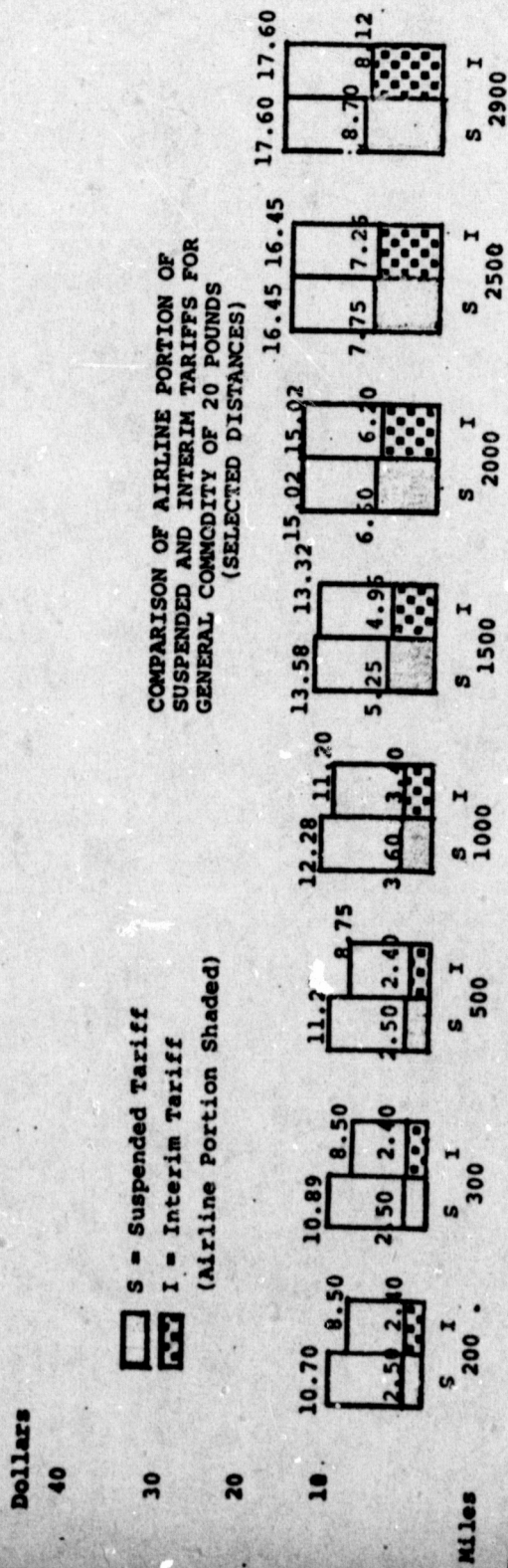
Dollars
40
30
20
10

S = Suspended Tariff
I = Interim Tariff
(Airline Portion Shaded)



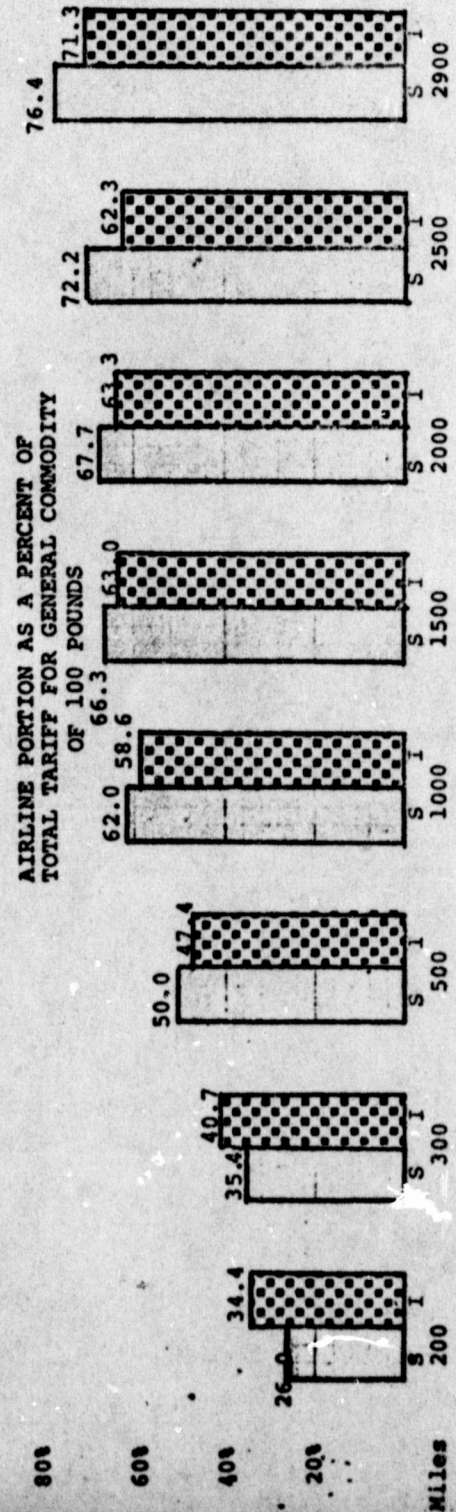
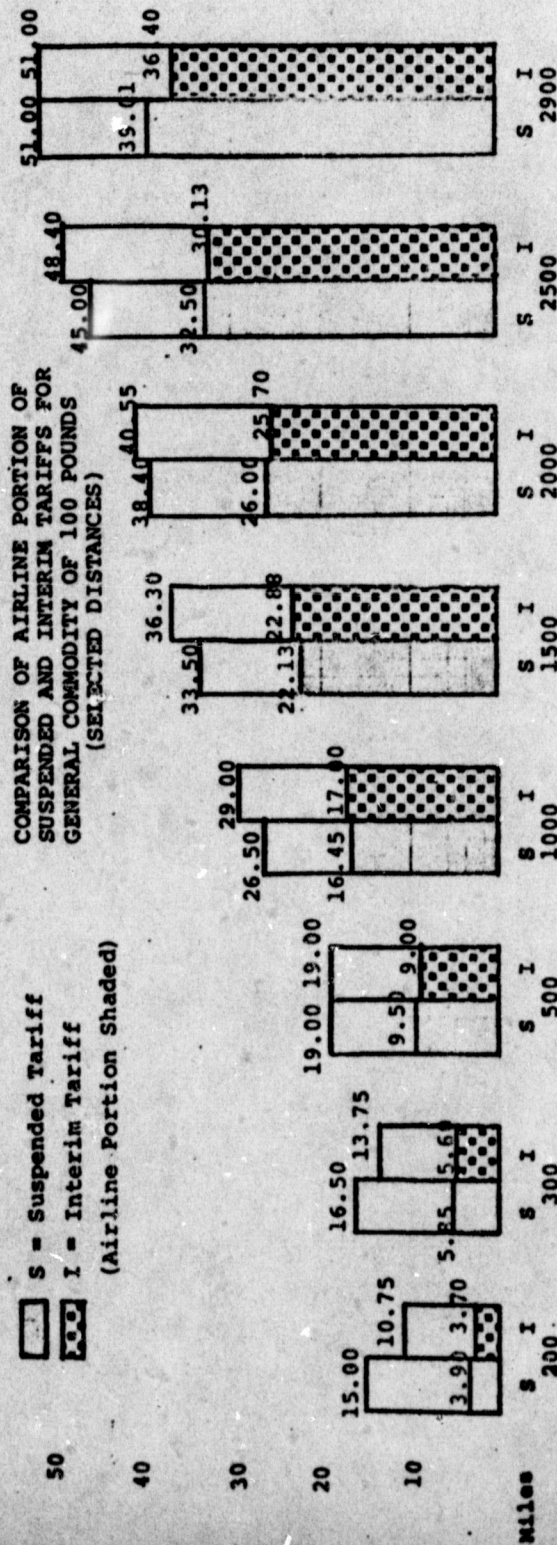
AIRLINE PORTION AS A PERCENT OF TOTAL
TARIFF FOR GENERAL COMMODITY OF 5 POUNDS





Investigation of
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Air Express Traffic by Type of Rate
August 30 - September 26, 1971

Docket 22387
Exhibit REA-IR-23K

	No. of Shipments ^{1/}	Pounds	Pieces	Revenues ^{2/}
General commodity rated traffic	456,500	13,167,400	638,900	\$5,557,795
Specific commodity rated traffic ^{3/}	28,900	1,005,900	60,700	361,772
Total "domestic" traffic	485,400	14,173,300	699,600	\$5,919,567
Averages per shipment				
General commodity rated traffic		28.84	1.40	\$12.17
Specific commodity rated traffic		34.81	2.10	\$12.52
Total "domestic" traffic		29.20	1.44	\$12.20

1729(a)

- ^{1/} Includes only shipments between points in the 48 conterminous states (and District of Columbia).
- ^{2/} Covers charges paid by shippers and consignees under the Air Express tariff, excluding value charges, C.O.D. fees, and other accessorial charges.
- ^{3/} Magazines, newspapers and periodicals; animals and birds, live; and cut flowers, fruits and vegetables and other commodities named in Sections 12 and 13, C.A.B. 1.

1730(a)

General Commodity Rates^{1/} Air Express Traffic
 Shipments, Pounds, Pieces and Revenues by Rate Scale
 August 30 - September 26, 1971

Docket 22387
 Exhibit REA-IR-24K

Rate Scale	No. of Shipments ^{1/}	Pounds		Pieces		Revenues ^{2/}
1-2	54,900	2,106,900	84,400	\$ 531,662		
3	41,200	1,588,400	62,800	444,083		
4	37,000	1,159,800	54,100	393,843		
5	36,400	1,171,700	51,100	415,726		
6	38,100	1,273,600	62,100	463,109		
7	33,700	884,000	43,600	390,609		
8	25,200	656,200	32,900	300,707		
9	25,000	576,900	30,000	297,847		
10	21,400	452,100	24,400	252,517		
11	14,700	441,600	21,500	207,776		
12	15,300	363,900	24,000	201,655		
13	11,700	280,100	15,300	154,723		
14	11,400	252,100	13,900	153,347		
15	8,000	169,900	10,600	108,428		
16	8,700	194,000	10,900	120,096		
17	10,200	244,800	13,300	152,468		
18	7,000	198,400	10,200	115,261		
19	7,100	149,700	8,500	104,228		
20	8,600	165,300	11,100	121,326		
21	6,500	161,600	9,000	102,605		
22	4,800	99,500	6,400	72,574		
23	5,200	79,700	7,000	69,614		
24	12,000	208,500	14,600	159,192		
25	4,400	108,400	5,900	77,894		
26	6,900	159,300	9,700	115,573		
27	1,400	20,200	1,400	19,232		
28	100	400	100	850		
29	100	400	100	850		
Total	456,500	13,167,400	638,900	\$5,557,795		

^{1/} Does not include shipments of magazines, newspapers and periodicals; animals and birds, live; or cut flowers, fruits and vegetables or other commodities named in Sections 12 and 13, F.A.B. 1.

^{2/} Covers charges paid by shippers and consignees under the Air Express tariff, excluding value charges, C.O.D. fees and other accessorial charges.

General Commodity Rated Air Express Traffic Moving at the Minimum Charge
August 30 - September 26, 1971

Docket 22387
Exhibit REA-IR-25K

Rate Scale	No. of Shipments ^{1/}	Pounds	Pieces	Revenues ^{2/}
1-2	44,200	770,800	51,100	\$ 372,950
3	30,200	365,700	32,900	252,110
4	25,400	246,100	27,100	215,650
5	21,100	168,300	22,100	179,350
6	18,000	107,400	18,700	152,750
7	15,100	92,400	15,700	128,350
8	10,700	57,700	11,000	90,630
9	9,700	43,500	10,300	82,450
10	7,400	31,000	7,500	62,900
11	4,700	20,700	4,800	39,832
12	5,700	21,100	5,900	48,450
13	2,600	6,600	2,700	28,100
14	3,500	12,300	3,500	29,750
15	1,700	4,700	1,800	14,450
16	2,700	7,900	2,800	22,873
17	3,800	10,200	3,800	32,280
18	2,100	6,100	2,300	17,675
19	1,800	5,900	1,800	15,300
20	3,500	9,000	3,500	29,750
21	1,900	5,900	1,900	16,150
22	1,600	4,400	1,700	13,600
23	1,900	5,100	2,100	16,150
24	4,800	12,500	4,900	40,800
25	1,200	3,000	1,200	10,200
26	3,000	8,400	3,000	25,500
27	500	700	500	4,250
28	100	400	100	850
29	100	400	100	850
Total	229,000	2,030,200	244,800	\$1,938,150

^{1/} Includes only shipments between points in the 48 conterminous states (and District of Columbia).

^{2/} Covers charges paid by shippers and consignees under the Air Express tariff, excluding value charges, C.O.D. fees, and other accessorial charges.

General Commodity Rated Air Express Traffic by Charge per Shipment
August 30 - September 26, 1971

Docket 22367
Exhibit REA-IR-26X

Charge per Shipment	No. of Shipments	Pounds	Pieces	Revenues ^{1/}
Less than \$8.50 \$8.50	3,800 225,200	48,300 1,981,900	4,200 240,600	\$ 23,950 1,914,200
\$8.51 - \$ 10.00 \$10.01 - \$ 15.00 \$15.01 - \$ 20.00 \$20.01 - \$ 30.00 \$30.01 - \$ 50.00	61,300 91,300 38,500 21,600 9,600	1,282,000 2,767,600 1,962,600 1,787,400 1,467,500	75,200 125,900 67,800 45,700 34,800	564,551 1,100,291 664,901 515,458 355,741
\$50.01 - \$100.00 \$100.01 - \$200.00 \$200.01 - \$300.00 \$300.01 - \$500.00 Over \$500.00	4,200 900 100 - -	1,274,300 506,800 89,000 - -	26,900 14,900 2,900 - -	280,798 116,990 20,915 - -
Total	456,500	13,167,400	638,900	\$5,557,795

^{1/} Covers charges paid by shippers and consignees under the Air Express tariff, excluding value charges, C.O.D. fees and other accessorial charges.

General Commodity Rated Air Express Traffic by Size of Shipment and Rate Scale
August 30 - September 26, 1971

Docket 22387
Exhibit FEA-IR-27K

Rate Scale	Number of Shipments by Size of Shipment											Total
	1-4 Pounds	5-9 Pounds	10-14 Pounds	15-19 Pounds	20-24 Pounds	25-50 Pounds	51-100 Pounds	101-200 Pounds	201-300 Pounds	Over 300 Pounds		
1-2	10,100	5,800	6,600	6,200	3,800	11,400	6,700	2,800	1,100	400	54,900	
3	8,700	5,800	4,400	4,200	3,400	7,000	4,700	1,600	800	600	41,800	
4	8,100	5,400	4,900	4,200	2,900	5,700	3,400	1,700	500	200	37,000	
5	7,400	6,200	4,300	3,400	2,800	6,200	3,900	1,400	500	300	36,400	
6	7,500	6,600	3,700	4,500	3,200	6,700	3,400	1,700	300	500	38,100	
7	6,000	5,600	5,200	3,300	2,700	6,500	3,100	900	400	-	33,700	
8	4,800	4,500	3,500	3,400	2,600	2,800	2,600	700	100	200	25,200	
9	4,800	4,900	3,500	2,300	2,100	4,600	2,100	600	100	-	25,000	
10	4,100	3,800	3,300	2,900	900	4,400	1,400	600	-	-	21,400	
11	2,800	2,500	2,500	1,800	1,200	2,500	1,000	200	-	200	14,700	
12	4,000	3,600	1,500	1,200	1,100	2,200	1,200	400	-	100	15,300	
13	1,800	1,900	1,600	800	900	3,000	1,100	-	100	-	11,200	
14	2,400	2,700	1,200	900	1,200	2,200	500	200	100	-	11,400	
15	1,500	1,800	1,700	600	500	1,400	200	200	100	-	8,000	
16	2,100	1,300	1,200	1,000	700	1,600	600	100	100	-	8,700	
17	3,000	1,700	1,200	800	1,000	1,300	800	200	200	-	10,200	
18	1,700	1,200	1,000	1,100	200	1,000	300	400	-	100	7,000	
19	1,200	1,500	800	700	600	1,700	600	-	-	-	7,100	
20	3,100	1,200	900	500	800	1,200	800	100	-	-	8,600	
21	1,600	1,000	1,100	700	600	700	600	100	-	100	6,500	
22	1,300	800	700	400	100	1,100	300	100	-	-	4,800	
23	1,500	1,000	700	400	500	1,000	-	100	-	-	5,200	
24	4,000	2,600	1,500	700	900	1,600	500	100	100	-	12,000	
25	1,100	800	500	200	300	1,000	200	300	-	-	4,400	
26	2,400	1,400	500	600	300	1,000	400	200	-	100	6,900	
27	500	100	300	200	100	100	100	-	-	-	1,400	
28	100	-	-	-	-	-	-	-	-	-	100	
29	100	-	-	-	-	-	-	-	-	-	100	
Total	97,700	700	58,300	47,000	35,400	700	40,500	14,700	4,500	2,800	456,500	

1733(a)

General Commodity Rated Air Express Traffic by Size of Shipment and Rate Scale
August 30 - September 26, 1971

Docket 22387
Exhibit FEA-IR-28K

Rate Scale	Pounds Shipped by Size of Shipment										Total
	1-4 Pounds	5-9 Pounds	10-14 Pounds	15-19 Pounds	20-24 Pounds	25-50 Pounds	51-100 Pounds	101-200 Pounds	201-300 Pounds	Over 300 Pounds	
1-2	23,600	39,300	77,600	103,000	82,000	395,700	474,700	405,700	283,400	221,500	2,106,900
3	19,800	37,200	50,200	69,400	74,000	242,000	335,900	220,200	181,200	358,500	1,588,400
4	18,300	35,700	58,400	70,900	62,600	213,000	234,900	263,000	116,100	86,900	1,159,600
5	18,500	41,200	51,300	56,600	59,400	221,100	271,500	193,600	133,800	124,500	1,171,700
6	16,800	44,500	43,000	75,400	68,300	228,000	243,000	218,000	68,500	268,100	1,273,600
7	14,200	37,900	60,400	54,800	57,900	234,600	210,500	118,700	95,000	-	894,000
8	11,600	30,900	40,000	58,000	55,800	93,500	171,500	105,500	21,700	67,500	656,200
9	11,300	32,200	42,000	38,600	44,600	157,300	141,900	79,000	30,000	-	576,900
10	9,600	25,600	39,400	48,000	19,300	147,400	86,600	75,800	-	-	452,100
11	7,900	17,000	24,800	30,400	25,400	61,900	67,800	22,000	-	142,700	141,600
12	10,100	25,500	17,300	19,600	23,500	73,100	87,900	50,200	-	57,000	363,500
13	4,200	12,900	19,000	14,100	19,000	104,000	78,300	28,400	28,600	-	280,100
14	6,700	17,300	15,100	15,800	25,600	80,200	38,900	23,400	24,100	-	252,100
15	3,700	12,600	20,700	10,100	11,600	47,900	10,900	-	29,000	-	169,900
16	4,200	8,300	14,700	16,400	14,900	55,300	46,200	11,500	22,500	-	194,000
17	6,200	10,900	13,800	13,800	21,900	47,600	52,300	33,000	45,000	-	214,500
18	3,800	8,100	11,600	18,300	4,200	34,800	22,700	57,900	-	37,000	198,400
19	5,400	9,900	8,500	12,300	12,500	58,100	43,000	-	-	-	149,700
20	7,000	7,600	10,500	8,700	17,300	43,100	58,200	12,700	-	-	165,300
21	3,900	6,200	12,400	11,700	13,500	26,200	41,200	10,800	-	35,700	161,600
22	2,900	5,700	8,400	6,800	2,000	40,700	22,000	11,000	-	-	99,500
23	3,100	6,800	8,100	6,700	10,400	31,000	-	13,600	-	-	79,700
24	8,500	16,800	18,000	11,400	19,700	54,300	37,600	14,000	28,200	-	208,500
25	2,400	6,000	6,000	3,600	6,800	32,400	14,200	37,000	-	-	103,400
26	5,400	8,800	6,100	9,400	6,400	35,400	26,300	21,500	-	40,000	159,300
27	700	600	3,400	3,700	2,000	3,400	6,400	-	-	-	20,200
28	400	-	-	-	-	-	-	-	-	-	400
29	400	-	-	-	-	-	-	-	-	-	400
Total	230,300	506,300	686,000	787,700	760,600	2,791,300	2,824,600	2,033,700	1,107,100	1,439,800	13,167,400

1734(a)

General Commodity Rated Air Express Traffic by Size of Shipment and Rate Scale
August 30 - September 26, 1971

Docket 22387
Exhibit REA-IR-29K

Rate Scale	Number of Pieces by Size of Shipment										Total
	1-4 Pounds	5-9 Pounds	10-14 Pounds	15-19 Pounds	20-24 Pounds	25-50 Pounds	51-100 Pounds	101-200 Pounds	201-300 Pounds	Over 300 Pounds	
1-2	10,300	6,200	7,100	6,300	4,200	15,500	15,200	8,900	6,300	4,400	84,400
3	9,100	5,900	4,500	4,200	4,400	8,700	9,800	5,100	3,400	7,700	62,800
4	8,200	5,800	5,000	4,700	3,600	9,400	6,500	7,000	2,100	1,800	54,100
5	7,500	6,300	4,300	4,200	2,900	9,400	8,700	3,200	2,600	2,000	51,100
6	7,700	7,000	3,800	5,000	4,600	9,600	7,200	6,800	800	9,600	62,100
7	6,100	5,700	5,800	3,800	3,400	9,100	5,600	2,200	1,900	-	43,600
8	4,900	4,600	3,600	4,100	2,700	4,000	5,600	2,200	100	1,100	32,900
9	5,100	5,200	3,600	2,400	2,100	6,500	3,200	1,000	600	-	30,000
10	4,100	3,900	3,300	2,900	1,100	5,400	2,400	1,300	-	-	24,400
11	2,800	2,600	2,600	1,900	1,500	3,500	2,300	500	-	3,800	21,500
12	4,100	3,800	1,600	1,300	2,000	4,000	3,400	2,200	-	1,600	24,000
13	1,700	2,100	1,200	1,000	1,000	4,500	2,500	-	500	-	15,300
14	2,400	3,000	1,200	1,100	1,300	3,200	1,100	300	300	-	13,500
15	1,500	2,100	1,900	700	1,300	2,200	200	400	300	-	10,600
16	2,100	1,300	1,300	1,000	700	1,800	1,100	100	1,500	-	10,900
17	3,000	1,700	1,900	1,000	1,100	1,700	1,500	500	900	-	13,300
18	1,900	1,200	1,100	1,300	200	1,200	800	1,500	-	1,000	10,200
19	1,200	1,500	900	700	600	2,300	1,300	-	-	-	8,500
20	3,100	1,400	1,300	500	1,000	2,000	1,300	500	-	-	11,100
21	1,600	1,000	1,200	700	600	700	1,000	200	-	2,000	9,000
22	1,300	900	700	400	100	1,200	1,200	600	-	-	6,400
23	1,700	1,000	800	400	700	2,000	-	400	-	-	7,000
24	4,100	2,800	2,000	800	1,100	2,000	800	400	600	-	14,600
25	1,100	800	500	300	1,500	1,200	200	300	-	-	5,900
26	2,400	1,400	600	600	400	1,600	900	1,200	-	600	9,700
27	500	100	300	200	100	100	100	-	-	-	1,400
28	100	-	-	-	-	-	-	-	-	-	100
29	100	-	-	-	-	-	-	-	-	-	100
Total	99,900	79,300	62,700	51,500	44,500	112,800	83,900	46,800	21,900	35,600	638,900

1735(a)

General Commodity Rated Air Express Tariff by Size of Shipment and Rate Scale
August 30 - September 26, 1971

Docket 22387
Exhibit REA-IR-30K

Revenues ^{1/} by Size of Shipment												
Rate Scale	1-4 Pounds	5-9 Pounds	10-14 Pounds	15-19 Pounds	20-24 Pounds	25-50 Pounds	51-100 Pounds	101-200 Pounds	201-300 Pounds	Over 300 Pounds	Total	
1-2	\$85,100	\$49,300	\$55,641	\$52,631	\$32,300	\$97,376	\$62,595	\$43,711	\$29,154	\$23,854	\$331,662	
3	72,700	48,020	36,150	35,813	28,400	60,990	57,517	30,281	24,915	49,297	444,083	
4	68,600	45,900	41,650	35,710	24,670	55,885	45,125	43,369	18,595	14,339	393,843	
5	62,900	52,700	36,550	28,940	25,200	67,075	60,355	36,079	24,239	21,688	415,726	
6	63,750	55,850	31,450	39,805	30,350	77,586	57,175	44,490	13,170	49,483	463,109	
7	51,000	47,600	44,840	30,925	27,918	85,016	57,330	26,379	19,401	-	390,609	
8	40,800	38,250	30,534	33,165	27,540	37,322	50,181	25,475	4,446	12,994	300,707	
9	40,800	41,650	31,810	24,295	23,425	65,891	42,438	21,478	6,060	-	297,847	
10	34,850	32,360	30,791	30,440	10,400	64,335	28,269	21,072	-	-	252,517	
11	23,800	21,520	24,145	19,582	14,645	39,142	22,355	9,052	-	33,535	207,776	
12	34,000	31,425	14,380	13,485	13,988	34,690	29,807	16,115	-	13,765	201,655	
13	15,700	16,773	16,535	9,690	11,053	49,661	25,836	-	9,495	-	154,723	
14	20,400	23,970	13,185	11,250	16,484	37,247	13,771	10,039	7,001	-	153,547	
15	12,750	16,560	18,720	7,490	7,243	23,223	4,491	8,507	8,744	-	108,428	
16	17,850	11,730	13,155	12,643	9,958	28,762	17,740	1,215	7,043	-	120,096	
17	25,500	15,390	13,337	10,519	14,717	24,811	20,662	12,862	14,670	-	152,466	
18	14,450	10,745	11,130	13,863	2,950	19,060	9,369	22,668	-	11,026	115,261	
19	11,249	13,590	8,611	10,544	9,001	32,861	18,372	-	-	-	104,228	
20	26,350	10,920	10,127	6,923	12,460	24,328	25,068	5,150	-	-	121,326	
21	13,600	8,980	12,062	9,606	9,720	14,205	18,379	4,504	-	11,549	102,605	
22	11,050	7,480	8,064	5,625	1,559	23,758	10,226	4,812	-	-	72,574	
23	12,750	9,220	7,931	5,652	8,095	19,826	-	6,140	-	-	69,614	
24	34,000	23,620	17,452	9,846	15,271	33,418	18,062	6,468	11,055	-	169,192	
25	9,350	7,560	5,846	3,053	5,271	21,878	7,237	17,699	-	-	77,894	
26	20,400	12,620	5,952	8,434	5,212	22,718	13,985	10,492	-	15,760	115,573	
27	4,250	890	3,415	3,227	1,713	2,255	3,482	-	-	-	19,232	
28	850	-	-	-	-	-	-	-	-	-	850	
29	-	-	-	-	-	-	-	-	-	-	850	
Total	\$829,249	\$654,803	\$543,463	\$473,156	\$390,343	\$1,063,419	\$720,027	\$428,057	\$197,988	\$257,290	\$5,557,795	

^{1/} Covers charges paid by shippers and consignees under the Air Express tariff excluding value charges, C.O.D. fees, and other accessorial charges.

NARRATIVE COMMENTS ON 1000 SERIES
OF REA EXPRESS EXHIBITS

My name is Colin H. McIntosh. A summary of my qualifications is attached hereto as Appendix A. I sponsor REA Exhibits 1000 and higher.

The prime objective of the 1000 series of exhibits is to examine the airline role in the joint REA/airline movement of Air Express and the cost thereof to the airlines based on 1969 data. The role of REA Express (REA in future references) in the total of all functions for providing express service and the cost of the functions performed by REA is the subject of other series of exhibits.

Inasmuch as the Air Express costs incurred by the airlines are only one portion of their over-all cost for carrying freight, express and mail in total, I believe the only sound way to break out express costs is by separating the costs for each product in the total. This permits, of course, comparison between costs and financial results for each category of cargo rather than Air Express alone in a vacuum while ignoring the role of other cargo in the total picture.

The two prime conclusions which result from the 1000 series of exhibits are:

1. The reported (not estimated) unit revenue to the airlines for Air Express carriage during 1969 averaged some 34.79 cents per revenue ton mile (REA-1001)^{1/}, this was about 60% higher than the average 21.76¢/RTM for freight and about 40% higher than the average 23.52¢/RTM for mail. These are easily developed from Forms 41 and 242 filings and are not dependent on any statistical allocation process as are costs.

2. The over-all workload and functions (exclusive of pick-up and delivery) performed by the airlines for handling and servicing Air Express (or

^{1/} Pursuant to an amendment to the Air Express agreement the airlines agreed to reduce the amount of their share of divisions of Air Express revenue by \$3 million, half of that amount in 1969 and the other half in 1970. As set forth in other exhibits, the airlines insisted that this reduction would be agreed to only once and they have subsequently refused to accept a share less than \$41 million, based on the shipments carried in 1969. Thus, if the airlines had received \$41 million in 1969 their yield per RTM would have been even higher -- approximately 37¢ per ton mile.

mail) on the ground is far less by any unit measure customarily used (shipment, piece, ton, etc.) than performed for freight. Thus, airline unit costs for Air Express ground-performed functions must be substantially less than for freight for which the airlines perform all functions.

While I will discuss this aspect in greater detail in subsequent text, reference here is made to Exhibits REA-IR-209, 1085, 1086, 1087 and 1084 in that order, all in support of this conclusion.

The first conclusion (unit revenue comparison) is an important fact since even if the airlines did perform all the same functions for express (and mail) that they do for freight, there would still exist a substantial spread on a unit basis between the 34.95¢/RTM realized from express revenues and any reasonably arrived at estimate of unit cost for cargo as a whole. For example, it is easily developed from REA-1001 that, depending on the allocation method used for separating over-all cargo (FEM in total) costs from passenger-related costs (passengers plus baggage), the over-all unit cost for cargo as a whole must range in the order of 24-27 cents per ton mile. The known unit revenues (¢/RTM) for both freight and mail are each below this range. Express unit revenues are some 8 to 11 cents above this over-all (FEM) average cost range. It would require a substantial statistical distortion of average cost for FEM as a whole to reach a statistical conclusion that the unit cost for express (or mail) is so much above average and that the freight so much below average as to make express unprofitable to the airlines or freight profitable.

My second prime conclusion above is supported by even a cursory observation of express and freight servicing at any major airport. This, plus the knowledge that REA rather than the airlines performs most of the functions for express (which the airlines perform themselves for freight) which would be reflected as overhead costs for traffic servicing, reservations, sales, advertising and publicity and general administration. REA Exhibits IR-209 and 1084 through 1087 are directed toward this point.

This simple fact, in my opinion, strongly favors the presumption that unit costs to the airlines for express carriage should be less than the FEM average and unit costs for carrying freight must be much more. To make a reasonable estimate of what these differentials are in unit costs from average

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Exhibit REA-1000
Page 3 of 14

(FEM) is the primary objective of the 1000 series of REA exhibits. REA-1001 summarizes the results of my analyses in terms of operating profit or loss. REA-1002 and 1003 go beyond operating results to summarize estimates of probable net profits and return on investment ranges by type cargo (FEM).

Revenue and Cost Base Data Used.

The agreed-on frame of reference has been calendar 1969 data for the domestic trunk and local service airlines on a 48 contiguous-state basis -- in fact the same base data used in the Domestic Passenger Fare Investigation now in process, Docket 21866-7. Among all parties the Bureau alone has produced on a uniform basis a break out of scheduled service data from the total Form 41 data so as to eliminate extraneous services not germane to this investigation such as MAC and other non-scheduled services, etc. I have used the Bureau produced data for scheduled services as reproduced in Bureau Exhibits in Docket 21866-7 (also reproduced as PC-IR exhibits in this proceeding).

This means that I have accepted as reasonable the Bureau separation of scheduled all-cargo costs from total scheduled service costs.

Separation of Over-all Cargo (FEM) Costs
From Passenger (and Baggage) Costs.

No such separation obviously is required for all-cargo services. For combination passenger/cargo services, several alternative methods of such separation are available as is well illustrated by the Bureau exhibits in Doc. 21866-7. These include several variations of the so-called "joint-product method" of allocating costs between passengers and cargo and the so-called "by-product assumption" that cargo costs in total are exactly the same as total cargo revenues.^{1/}

I have produced two parallel series of exhibits - the 1010-1016 series and the 1020-1024 series -- the first of which is based on the joint-product method of separating cargo from passenger costs and the second on the so-called "by-product assumption" for separation. I have produced these parallel series (which lead to different results for FEM costs either in total or separately) to permit examination of costs on both bases.

^{1/} It is apparent this is merely an assumption without foundation or support from any meaningful cost allocations based on workload measures or cost-causative functions.

The Bureau in Doc. 21866-7 takes a strong position that only a joint-product cost separation is reasonable.^{1/} I have used the Bureau data so developed in Doc. 21866-7 (with a very minor and inconsequential adjustment - see REA-1013) as the base allocation step in my analyses founded on joint-product separation of cargo from passenger costs. My analyses of the Bureau method for making this basic separation lead me to conclude that it produces as reasonable results as any allocation method can be expected to do.

My examination of the carrier exhibits in Doc. 21866-7 indicates that, of the carriers taking a position as to the proper concept for separating cargo from passenger related costs (Eastern, Delta, TWA and United), all favored the by-product concept. United in particular advanced strong arguments in support thereof (UA-100). If, therefore, the carriers generally appear to believe the by-product method is sound for establishing passenger-incurred costs in the passenger fare case now in process (Doc. 21866-7), it appears only logical that the residual (of combination passenger/cargo costs) from the same data could be considered the over-all cost for cargo (FEM). I have therefore produced the REA-1020-1024 series of exhibits separating passenger and cargo costs on the by-product basis.

Although as shown by REA-1001, this process results in lower costs for cargo, the comparative relationship of cost and profitability (or loss) between freight, express and mail is not substantially altered.

Establishment of the relative levels of unit costs for freight, express and mail is, in my opinion, a more important objective in this case than the precise costs. The latter probably can never be determined to the satisfaction of all parties. Required at least is either: (1) an allocation process accepted as sound by all parties or (2) preferably, a thoroughly professional industrial-engineering/accounting analysis of the airlines actual costs so as to separate them into the components of passenger (including baggage), freight,

^{1/} The Bureau selected one of several alternative statistical approaches to this for complete treatment, namely that separating the "capacity-related" cost portion (basically aircraft operating and servicing) of costs by a so-called space utilization method. A parallel method based on weight payload utilization (including passenger service equipment weights) produces an allocation ratio of capacity-related costs generally so similar as to be considered the same within the tolerance with which any statistical analyses should be viewed (see B.C. 3100, Doc. 21866-7 which shows a variance of only 0.3% on an industry basis).

express and mail. All the allocation processes we must use must be in major degree dependent on statistical assumptions and judgments. Such allocation processes become validly debatable simply because they depend heavily on statistical applications and judgments. The best we can hope for is reasonable results derived from reasonable use of statistical measures and judgments.

Although I have computed my estimates carrier by carrier, I do not place great emphasis on the precise numerical results by individual carrier, particularly when carried through all the many steps of allocations to final return on investment. The weighted industry averages are, in my opinion, more meaningful, particularly for the trunklines. The exposure to minor distortions which can be expected in any allocation process as complex as that required here may distort the final result for an individual carrier but are more likely to cancel out in greater degree in the totals for all carriers, each of which has a different traffic mix, different internal cost distribution between major accounts, different over-all cost level and -- despite C.A.B. standard reporting procedures -- different internal account treatments.^{1/}

Establishment of Air Express Cost to the Airlines Cannot Properly
Be Done Without Simultaneously Establishing Freight and Mail Costs.

All three categories of cargo are carried simultaneously in the same aircraft. Each is handled and serviced on the ground by the airlines by the same personnel and functional organizations, but freight requires much more airline handling than express or mail. For freight, their airlines perform all ground functions and incur all overhead costs (except pick-up and delivery -- charged separately). For Air Express, REA performs virtually all functions and incurs all overhead charges except for (1) physical movement of shipments between REA airport terminal and aircraft and (2) loading and unloading (REA-IR-209, 1085, 1086, 1087). In all my analyses to follow I have adopted the judgment that ground servicing and overhead workload and cost distribution for mail between airline and the POD is essentially the same as for Air Express.

These fundamental differences in the ground handling, servicing and overhead responsibilities on the part of the airlines between freight and Air Express and mail make it invalid, in my opinion, to attempt to establish

^{1/} The last point is particularly pertinent for the local service carriers whose Forms 41 present difficulties in the application of the B.E. basic costing methodology - see B.C. 3621, Docket 21866-7.

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the cost for any one of the three in a statistical vacuum excluding the other two. Even after establishing, by allocation, an over-all cargo cost (FEM), this is merely the sum of the cost of a mix of three different types of cargo, which involve highly different degrees of workload and functional responsibility on the ground; and, thereby, unit costs. It is simply invalid to distribute the ground related costs for the sum of FEM on the basis of relative shipments, pieces, tons or other such measure as if the unit costs were equal.^{1/}

Distribution of FEM Cost Related to Capacity.

The Bureau's cost allocation formulas or method (as do most others) separate total costs into the two assumed major components of (1) capacity-related costs and (2) traffic-related costs. The first roughly includes all Form 41 major functional accounts covering aircraft operating and servicing costs (6100). The latter encompasses the major overhead of cost categories of Passenger Service (not for cargo, of course), Traffic Servicing, Reservations and Sales, and Advertising and Publicity. Servicing Administration is generally allocated between the capacity and traffic-related cost pools on the basis of relative Aircraft Servicing and Traffic Servicing costs. General and Administrative overhead is also allocated between the two cost pools on the basis of relative other cash costs.^{2/}

The division which I show in Exhibits REA-1011 and 1021 of total FEM costs into capacity-related and traffic-related costs follows the Bureau procedure in Doc. 21866-7 and, of course, is based on Bureau exhibit data.

My allocations in REA-1011 and 1021 of the capacity-related cost pool between freight, express and mail are based on relative ton miles of traffic. Once each load of freight, express and mail is aboard the aircraft I see no valid distinction between them for allocating the relative cost for flying and servicing the airplane. Each is being carried in the same set of aircraft cargo bins irrespective of the label each carries. Tonnage of each

^{1/} I note this was done in at least one carrier exhibit in D.C. 20398.

^{2/} Slightly different compositions of these two basic cost pools are sometimes used in carrier exhibits but for practical purposes the Bureau's division appears realistic.

times the distance moved (RTM) appears a valid allocation unit for distributing capacity-related costs.^{1/}

Traffic-Related Cost Distribution.

My exhibits allocate this basic pool of costs (all ground-incurred) on the basis of relative tons enplaned weighted to reflect my judgment of the differential between the airline ground servicing costs of freight (for which all functions are performed) and express or mail (for which only a minor part of ground functions are performed (REA-1082)).

For weighting purposes I have derived a judgment that the airline-incurred traffic-related costs for a ton of express or mail is 25% of the average FEM cost per ton. As is evidenced from REA-1011 or 1021, this 25% of average cost may be converted to a relationship between express and freight. This indicates that express costs are in the order of 15% of freight.

My judgment in the above differentials is derived from REA exhibits 1084 through 1087, each attacking the problem in a different manner and with different and often non-comparable airline data.

REA-1085 summarizes my judgment conclusions based simply on my personal observations at Washington National Airport. (PC-IR-101 through 104 indicate that some 88% of Air Express traffic is serviced at airports with REA personnel and/or REA terminal facilities). Comparative observation of Air Express and freight handling and purely judgment weighting suggested to me that the at-airport functions alone are about 85% performed by REA for Air Express vs. some 15% by the airlines. For freight, of course, each airline performs all the functions and workload for its own freight originated and terminated.

REA-1086 applies United's industrial engineering formula introduced as UA-9, Docket 20398, to a comparative costing out of freight and express functions at the airport (the airport handling and servicing functions of the Form 41 Traffic Servicing account). United's witness, Sheffert submitted written testimony UT-2 that:

^{1/} Weighting of ton miles by so-called density and priority factors has been often employed in past cases. I will advance my views on the impropriety of such weighting methods in subsequent discussion.

"This method of allocating ground handling expense to individual shipment has been consistently used by United in previous rate justifications to the Civil Aeronautics Board."

Mr. Shefferh also testified that:

"This portion of the traffic servicing (UA-9) formula includes the ramp serviceman's activities in the movement of freight from the freight receiving area, through the plane loading and unloading stages, to the inbound receiving and distribution area."

Thus, the UA-9 formula covers the same functions listed in REA-1085 and provides a reasonable means of checking my judgment conclusions in REA-1085 against formula-developed costs for typical 1969 freight and express shipments. It will be seen when the per shipment costs developed by this formula are converted to cost per ton that the airline-incurred cost for an express ton is about 11% of cost per freight ton.

REA-1087 places the airline-incurred costs for ground servicing in rough perspective relative to the total traffic-related costs. For express, an airline should incur practically no costs in this total other than the minor proportion of ground handling (REA-1086 indicates about 11%) and possibly some very minor expenditures for liaison purposes with REA, etc. REA in essence is responsible for and performs all the basic reservations, sales, advertising, publicity and accounting functions plus most of the residual Traffic Servicing aside from ground handling. The costs for these REA functions are not deducted from the portion of revenues distributed to the airlines and, therefore, should not appear as airline-incurred costs for express (if, of course, an airline unilaterally chooses to amplify the REA efforts with specific supplemental expenditures to develop express traffic, costs for the same would appear in airline accounts).^{1/}

In essence, the REA-1087 and 1086 data, used in conjunction, would suggest that the total airline-incurred cost for traffic-related costs for express (or mail) is less than 5% of that incurred for freight on a per ton basis. Footnote 2 of REA-1087 indicates a similar set of data developed by the Bureau for American produces a parallel estimated of about 5-6 percent. Similar TWA data suggests 11.6 percent.

^{1/} If the airlines do have a record of actual expenditures (not allocated) made specifically for express, these should be presented.

These percentages, developed from substantially differing data breakdown by airline, all support my final judgment conclusion that airline-incurred traffic-related costs for Air Express must be less than 10% of those incurred per ton for freight. As shown by the unit cost comparisons provided by REA-1011 or 1021, my use of a judgment relationship of express costs to average FEM costs at 25% produces express costs of some 14-15% of freight. This provides a very conservative allowance over the REA-1087 developed relationship.

REA-1084 provides another approach toward estimating the probable relationship of airline-incurred traffic related costs for express to the average for cargo (FEM) as a whole. This, of course, is basically a judgment approach on an item by item basis but it does indicate that my use of 25% as the relationship of express cost to average FEM cost is well on the conservative side.

In brief, the readily available statistical evidence I have examined supports my general knowledge that the airlines incur only very minor costs on the ground for servicing express (or mail) other than for actual loading and unloading. For estimating purposes a 5-10% relationship to freight probably is nearer the mark than the higher percentage we have used for developing traffic-related express and mail costs per ton.

In summary, the exhibits I have prepared show for the year 1969, on an extremely conservative basis, the following conclusions with respect to airline air freight, air mail, and air express costs and revenues:

1. Airline yields per ton mile were 34.79 cents^{1/} for Air Express versus 21.76 cents for air freight and 23.51 cents for air mail (REA-1001).
2. Airline costs per ton mile were 23.74 cents for Air Express, 29.11 cents for air freight, and 21.78 cents for air mail on a joint-product costing basis (REA-1001). On a by-product costing basis, airline costs were 20.30 cents for Air Express, 26.27 cents for air freight and 18.66 cents for air mail (REA-1001).
3. Air freight is carried at a revenue to joint cost ratio of .7475 and revenue to by-product cost ratio of .8283. Treating Air Express as air freight has been treated, produces these results:

^{1/} The yield per ton mile from Air Express for the trunk carriers alone was 33.60 cents (REA-1005).

$$\frac{\text{Air Freight Revenue}}{\text{Air Freight Costs}} = \frac{\text{Air Express Revenue}}{\text{Air Express Costs}}$$

Joint-Product:

$$\frac{21.76¢/\text{ton mile}}{29.11¢/\text{ton mile}} = \frac{x}{23.74¢/\text{ton mile}}$$

$$\text{Air Express Revenue} = 17.75¢/\text{ton mile}$$

By-Product:

$$\frac{21.76¢/\text{ton mile}}{26.27¢/\text{ton mile}} = \frac{x}{20.30¢/\text{ton mile}}$$

$$\text{Air Express Revenue} = 16.81¢/\text{ton mile}$$

4. If freight, express and mail are to bear fully allocated costs plus the 11% rate of return for trunk carriers recommended by the Examiner in Docket 21866-7, the airlines' division of Air Express revenues should be no more than 25.62¢ per ton mile on the joint-product basis or 21.67¢ on the by-product method (REA-1005).

The Use of Density as a Weighting Factor for
Traffic Units Used for Cost Allocation.

The records of past CAB proceedings involving mail rates (Dockets 16349 and 18381) are replete with the use of and contention relative to so-called "density factors" for weighting reported ton miles of traffic and the distribution of costs on the basis of such weighted ton miles. This process, however, was not used by the Bureau (or any other party to my knowledge) in exhibits presented in the current passenger fare investigation, Docket 21866-7, the base data and general frame of reference for which is being used in this proceeding.

This density-weighting concept inherently assumes that the commonly-shared allocated cost chargeable to all types of cargo (baggage, freight, express, air mail and first class mail) should be distributed to each class of traffic based on how much of the theoretical space in each aircraft's cargo bins is theoretically used by each class of cargo.^{1/} I feel strongly that this concept, which introduces many probabilities for erroneous data, can seriously distort the real cost relationships between cargo types and, in

^{1/} I stress theoretical because no records are maintained by the airlines of space utilization to my knowledge. Certainly not much evidence has been presented on density in this case other than for Air Express. (See REA-1075)

fact, is a useless process even if it could be soundly carried out. Among the several reasons why I feel this concept should be rejected are:

1. It presumes that a so-called space computed load factor - at best probably inaccurate since it must be derived from sample density data of highly unreliable and contentious nature - is somehow more significant than the weight load factor that is customarily used by all carriers and reported in the Forms 41, based on highly accurate weight data which all carriers maintain in the normal course of operations.

Furthermore, the payload availability data maintained and reported in terms of weight (available ton miles) incorporate the alternative limitations of both space and weight on aircraft available payload inasmuch as the available tons of payload by aircraft form the basis for computing available ton miles. This is evident from the data filed with the CAB in accord with Standard Practice Letter No. 4. Thus, if the carriers are properly computing and reporting available ton mile capacity, this data is weighted by both weight and space payload limitations encountered in actual practice. I see little reason for rejecting it in favor of something nebulous and contentious.

2. The "space-payload, relative-density concept", if applied, must be restricted to the capacity-related portion of the total costs allocated to cargo (including baggage as cargo). Density has nothing whatsoever to do with the ground (or traffic-related) portion of costs.

3. Density weighting factors, if used, should be further restricted in application to the same percentage of capacity-related costs as (a) revenue ton miles actually accumulated on flights operated at 100% space payload bear to (b) total revenue ton miles on all flights. In brief, unless all flights in actual operation are flown at their space limits, the density-weight concept is involved. Evidence presented by at least one airline in Docket 18381 indicated that about one-half of all its flights were operated on flights which imposed a weight rather than a space limitation on total available payload. (This, of course, may not limit actual payload.)

4. Exhibit REA-1071 provides a computation of average annual weight load factors for belly bins in scheduled combination services. No doubt this data includes some percentage of flights actually operated at actual 100% load factor in terms of space. However, we are all working with averages and those

for load factor do not justify applying a density-weighting concept to all flights on the assumption that all flights are actually operated at space limits (100% space load factor). Exhibit REA-1071A shows the industry's all-cargo service average load factor at some 45% on a weight basis.

Exhibit REA-1076 weights reported ton miles by alleged density factors found in AA-22, Docket 21866-7^{1/}. It is apparent from REA-1076 that the average (weighted) density of cargo as a whole exceeds the 10 pounds per cubic foot customarily assumed in the absence of specific data. Therefore, if we assume the available ton miles reported reflect the twin influences of space and weight limitations on available aircraft payload (as they should), the overall cargo load factor based on density-weighted ton miles actually becomes less than if unweighted ton miles of traffic are used. This would suggest at least that on the average the airlines may have a lower load factor in terms of space available than weight available.

The application of the density factors to cargo ton miles by class traffic would, if used for cost allocation, increase the share of overall cost assigned to below-average density traffic in favor of lower cost for above-average density traffic. This is quite an artificial process. Unless the aircraft is full and available traffic is refused because of this, the relative densities of traffic types do not matter. If a specific belly bin is 75% unused, it really does not matter insofar as cost whether some pieces of cargo weighing 10 pounds occupy 1 cubic foot of space or 1.2 cubic foot each. In principle, of course, I would not object to the application of accurately-developed density factors to that small percent of total capacity cost which is incurred by flights operating at 100% space payload - if this could be determined. Obviously, it would be a minor matter.

5. For this proceeding both REA and the airlines have offered evidence of recent Air Express density. Both conducted test samples within the past two months (REA-IR-22 and FC-IR-200). The REA tests produce an average actual density of 12.54 pounds per cubic foot based on actual measuring and weighting of pieces. The airline tests, conducted by weighing aircraft cargo containers of known volume before and after loading with express, produced a mean air

^{1/} American is the only carrier which submitted data on the respective densities of each type of cargo either in this case or in Docket 21866-7. AA-22 shows that the data is merely a compilation extracted from various sources in Dockets 16349 and 18381 and is not purported to be American's experience currently.

express density of only 7.60 pounds per cubic foot - a density average presumed to prevail for air express as loaded in the cargo bins.

Without comment here on the validity of either sample result, we are still faced with a practical problem whichever (if either) data is selected as representative.^{1/} We have no comparable tests of baggage, freight, or mail densities made during the same periods, at the same stations, by similarly-instructed personnel under the same conditions. To simply reach back into prior cases to select density data from other samplings probably made under different conditions, or, to merely rely on an earlier Board "opinion", is a subjective rather than an objective approach and does little to establish facts. But even if this improper approach is alleged justifiable for want of something better, we have a wealth of conflicting samples to choose from as evidenced by the voluminous record of contention between the carriers and the Post Office Department over first class mail density in Docket 18381. Merely because the Board in its Opinion had to choose one of these conflicting numbers and finally selected a result of 19.22 pounds per cubic foot density for first class mail (much higher than the results from any airline sample), does not prove under current conditions that first class mail averages out at this density or even close to it.

Without further belaboring this point, it should be apparent that establishing validly comparable density data for different types of cargo is a slippery task. For this proceeding we simply do not have data that is validly comparable.

In summary on density, the obvious deficiencies in available density data by cargo type, plus the lack of need to be concerned with probable moderate differentials in average densities in the context of current industry load factors, reinforces my judgment that the whole density-space-payload concept is an unsound one to substitute for the weight payload data all airlines use in the normal conduct of their operations and report to the CAB in accord with standard practices.

Priority Weighting for Cost Allocations.

Assigning a higher priority to one type of cargo than another does not increase the real cost of servicing or transporting such cargo. Furthermore,

^{1/} The 40% reduction from real to "stowed" density appears so great as to require evidence of such similar reduction for other types of cargo if density is to be considered in meaningful terms.

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as used in past cases, the "factors" assigned are wholly subjective and not related to the order of cargo priority (baggage, air mail and express are customarily given a factor of one). REA-1088 illustrates how subjective ratings have varied in past cases.

The aura of statistical respectability that the priority weighting concept appears to have gained in past cases seems to be founded on uncritical acceptance of it as a cost factor rather than application of logic. High priority does not add to the real cost of serving high priority traffic.

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COLIN HUGH McINTOSH

Mr. Colin Hugh McIntosh is a long established consultant in air transportation with offices at 901 North Washington Street, Alexandria, Virginia. Prior to mid-1967 he conducted his consulting practice from Washington, D.C.

Among consultants specializing in air transport he is virtually unique. With more than 18 years' experience as an independent advisor to many U. S. air carriers, aircraft manufacturers and the U. S. Government, he combines some fifteen years of actual experience with overseas, domestic trunkline and short-haul airlines as a crew member, departmental supervisor and Vice President of Operations.

Since establishing his own consulting practice in 1952, Mr. McIntosh has been retained by many air carriers. For these companies he has prepared numerous cases and served as principal witness in many economic proceedings before the Civil Aeronautics Board, including air cargo cases. He is recognized as an expert on air traffic, operations, costing and general economic problems of the industry. In addition, he is one of the few independent specialists available for the economic evaluation of aircraft and has assisted several airlines in their re-equipment problems.

He has also served as a consultant to three manufacturers. For Canadair Ltd., he conducted an extensive market survey and made an evaluation of the design features of a short-haul transport that this company proposed to build and later made an economic assessment of the turbo-prop Convair for local service operations. Prior to the production of the S-61 twin-engine turbine helicopter, he made an economic study for Sikorsky Aircraft which was widely circulated throughout the industry. While associated with another consulting firm, he analyzed the potential economics of a proposed cargo aircraft for Curtis Wright.

In 1954 he temporarily suspended private practice to assume responsibility for preparing the National Civil Air Policy report requested by the President. Subsequently, he became a Special Assistant to the Secretary of Commerce to make an administrative survey of the Civil Aeronautics Administration (now FAA) and recommendations to the Secretary on internal organization and policy of the Agency.

From 1948 to 1952, Mr. McIntosh held the position of Vice President of Operations of Allegheny Airlines. In this position he was in charge of the Flight, Maintenance and Station Operations Departments, including such other functions as schedules, space control and reservations. He joined this company at the time it was awarded extensive passenger routes throughout the middle Atlantic states and was primarily responsible for its reorientation from an air mail pick-up service to a certificated passenger carrier. Among other tasks in this reorganization, he carried out the following:

Establishment of a new main base of operations at Washington and transfer of personnel and facilities from Pittsburgh.

Retraining and qualification of existing company flight personnel, primarily experienced in single engine "pick-up" service, for scheduled passenger service.

Employment and training of approximately 300 new operating personnel for the greatly expanded operations of the company, including both crew members and stations personnel.

Employment of several new supervisory personnel to head up department and functions new to the company.

Selection and installation of ground facilities for scheduled passenger service at some 30 stations not previously served by the company.

Preparation of a completely new set of operating specifications required for a new CAA operating certificate including a new operations manual covering all phases of service.

Implementation of day and night contact and instrument operations over some 2000 route miles serving 34 stations.

Prior to joining Allegheny, Mr. McIntosh had planned much of this work while an associate with Charles A. Rheinstrom, Inc., a major aviation consulting firm of New York. Actual scheduled services were in fact commenced by Allegheny within less than three months after award of its passenger certificate and the entire route was in service within eight months.

As an associate with Charles A. Rheinstrom, Inc. from 1946 to 1948, he performed economic, operational and technical assignments for several major airlines, state and municipal aviation commissions and investment interests.

Prior to associating with Charles A. Rheinstrom, Inc. he was on loan from American Airlines to American Overseas Airlines as Special Assistant to the Vice President of Operations. During 1946 he assisted this international airline to reorganize its operations for the post-war activation of its trans-Atlantic route system. Specifically, his assignment included:

A survey of company routes to and throughout Europe to evaluate operating problems and recommend operational procedures.

Introduction of advanced long range operating techniques to increase safety and efficiency on North Atlantic routes.

Reorganization of the flight dispatch and training departments.

Following military flight experience in the early thirties his initial airline employment was with National Airways (now Northeast Airlines) as a Flight Superintendent. Subsequently he joined American Airlines in 1938 and served this company in a wide variety of operational assignments through 1945.

Mr. McIntosh joined American as an instructor in this company's newly activated flight training center at Chicago where he specialized in instrument navigation techniques. In 1941 he was loaned to Consolidated Aircraft to serve as a flight navigator in that company's initial trans-Pacific deliveries of lend-lease aircraft to the Far East.

At the outset of World War II he was immediately recalled by American to help initiate what was soon to become a world-wide operation under contract to the Air Transport Command. Simultaneously holding the positions of Assistant Superintendent of Military Training and Chief Navigator he played a leading role in the company's contract operations throughout the war years. At Chicago he organized and administered a flight training center which supplied the company and the Military with more than three hundred pilots and navigators trained in trans-oceanic navigation and long range flight techniques. He also organized, staffed and administered the company's navigation department. As a crew member, he participated in the survey flights on each new route activated by the company, flew many special missions and accumulated some 1500 hours checking out newly assigned crews on overseas flights.

While with American Airlines he authored Radio Navigation for Pilots (adopted as an official U. S. Navy manual) and Long Range Flight, one of the first authoritative texts on the techniques of long distance aircraft operations. He was also instrumental in developing standard procedures in this art for the Air Transport Command and, as a consultant, helped organize its long range flight training center in Miami.

Mr. McIntosh is a member of the American Institute of Aeronautics and Astronautics, Institute of Navigation (first president) and the National Aviation Club.

Domestic Trunk and Local Service Airlines, 1969 (48 State Basis)

Industry Summary of Comparative Cargo Revenues and Expenses

	Operating				Profit (Loss)			
	Revenues	Expenses	Freight	Mail	Express	Freight	Express	Combined
A. Based on Joint-Product Cost Allocation For Combination Services								
1. Dollars (000)								
Combination Services (REA-1010)	185,829	30,511	118,235	268,973	21,810	112,676	8,701	(68,884)
All-Cargo Services (REA-1030)	170,565	6,474	22,992	207,876	3,430	18,125	3,044	(29,393)
Both	356,394	36,985	141,234	476,849	25,240	130,801	11,745	(98,277)
2. Unit Results: \$/RTM								
Combination Services	25.98	34.95	23.78	37.61	24.98	22.66	9.97	(5.30)
All-Cargo Services	18.48	34.05	22.22	28.52	18.04	17.51	16.01	(2.80)
Both	21.76	34.79	23.51	29.11	23.74	21.78	11.05	(4.19)
B. Based on By-Product Allocation For Combination Services								
1. Dollars (000)								
Combination Services (REA-1020)	185,829	30,511	118,235	222,472	18,151	93,952	12,360	0
All-Cargo Services (REA-1030)	170,565	6,474	22,992	207,876	3,430	18,125	3,044	(29,393)
Both	356,394	36,985	141,234	430,348	21,581	112,077	15,404	(29,393)
2. Unit Results: \$/RTM								
Combination Services	25.98	34.95	23.78	31.11	20.79	18.90	14.16	0
All-Cargo Services	18.48	34.05	22.22	22.52	18.04	17.51	16.01	(2.80)
Both	21.76	34.79	23.51	26.27	20.30	18.68	14.43	(1.25)

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<u>Units</u>	<u>Revenue Ton Miles (000)</u> ^{1/}			
	<u>Freight</u>	<u>Express</u>	<u>All</u>	<u>Total</u>
Combination Services	715,155	87,306	497,193	1,299,654
All-Cargo Services	<u>923,005</u>	<u>19,011</u>	<u>103,485</u>	<u>1,045,501</u>
Both	1,638,160	106,317	600,678	2,345,155

Note: It is practical to check the all-cargo results above against the summary of carrier filed 242 Reports issued by the CAB for 1969. This shows:

1. Total all-cargo expense per RTM of 20.71 cents vs. 21.95 cents from Part A.
2. Total all-cargo revenues per RTM of 19.12 cents vs. 19.13 cents from Part A.

The differential in expense is due to use of B.C. allocations in Doc. 21866-7 vs. carrier 242 allocations.

^{1/} REA-1030 and 1070.

On April 9, 1970, REA filed a petition and complaint (Docket No. 22096) with the Board requesting that the Board determine the proper shares of air express revenue for REA and the air lines.

Prior to and subsequent to that date the air lines have enjoyed a disproportional revenue to cost ratio on air express when compared to air freight.

This is illustrated by the by the ratios contained in REA 1,000, and is shown below:

JOINT-PRODUCT

$$\frac{\text{Air Freight Revenue}}{\text{Air Freight Costs}} = \frac{21.76¢/\text{ton-mile}}{29.11¢/\text{ton-mile}} = \$0.7475$$

$$\frac{\text{Air Express Revenue}}{\text{Air Express Costs}} = \frac{34.79¢/\text{ton-mile}}{23.74¢/\text{ton-mile}} = \$1.465$$

BY-PRODUCT

$$\frac{\text{Air Freight Revenue}}{\text{Air Freight Costs}} = \frac{21.76¢/\text{ton-mile}}{26.27¢/\text{ton-mile}} = \$0.8283$$

$$\frac{\text{Air Express Revenue}}{\text{Air Express Costs}} = \frac{34.79¢/\text{ton-mile}}{20.30¢/\text{ton-mile}} = \$1.714$$

Exhibit REA-REB-2101 contains the calculation of the adjustment required to eliminate the inequities between air express and air freight.

. . . .

Based on the ton miles of air express as reported by the air lines for the periods shown and the amounts actually paid by REA, the adjustments required are as follows:

<u>Period</u>	<u>Accounting Basis</u>	
	<u>Joint Product</u>	<u>By Product</u>
April 9, 1970 - Sept. 28, 1970	\$ 8,899,888	\$ 9,419,424
Sept. 29, 1970 - Jan. 31, 1971	<u>6,437,608</u>	<u>6,750,708</u>
TOTAL ADJUSTMENT REQUIRED THROUGH JAN. 31, 1971	<u>\$15,337,496</u>	<u>\$16,170,132</u>

This adjustment is calculated on the basis of 1969 Revenue - Lost relationships adjusted for increases in costs 1970 over 1969.

Since revenue per ton miles on air freight decreased 1970 over 1969, and this was not considered, these adjustments will tend to be understated and should be reviewed when all the facts are available.

In Exhibit BC-RE-103 the CAB uses an allowable rate of return on investment of 10.5%. I do not believe that this is reasonable, in light of risks involved in air express. Further, I do not believe this rate of return would attract capital.

As is pointed out by Dr. Plotkin in REA-D-600, the rate of return needed is affected by the risk factors surrounding the company.

. . . .

The truckline industry most similar to REA has been averaging 11% return. However, the trucking industry, although similar, has less risk than REA. For example:

REA Air Express operations must be manned and equipped to peak volume levels to provide consistent expedited service. Trucklines, on the other hand, equip and man for normal or average volume levels. Truck short-term peak period volumes are handled without increased equipment or manpower by simply delaying freight for hours or days. Downward volume fluctuations, both short-term and relatively long-term, can be extremely expensive to REA because of its inability to fluctuate manpower and still offer expedited service. This is one of the major factors which make REA Air Express risks greater than trucklines.

REA's ability to continue to improve service and control costs over the long-term is directly dependent on its ability to attract equity capital for research, facilities and equipment. Based on its past losses it has been difficult to obtain any borrowed capital. Attracting equity capital which is the basic need of REA is not possible without profits.

. . . .

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Based on my own experience in the transportation industry, I do not believe REA can attract equity capital unless it has a potential for 15% or more return. Without additional equity capital REA cannot continue over the long term.

REBUTTAL TESTIMONY OF
COLIN H. MCINTOSH

The REA Express rebuttal exhibits following (R-1 through R-51) are broadly directed toward exposing the fallacies inherent in the Bureau's theories and techniques for allocating overall cargo expense among baggage, freight, express and mail traffics. The basic thrust of REA's rebuttals, however, applies similarly to the theories and techniques of those carriers providing expense allocations among types of cargo inasmuch as in broad perspective, if not in detail, most of the carriers have been content to rely on allocation theories similar to those of the Bureau.

In ER-T-206, pg. 8-9, the Bureau discusses the reasons for assigning a service factor for baggage at 2 (all other types at 1) in allocating cargo costs. The basis for the Bureau's justification is "the aircraft are scheduled primarily to move passengers from point to point, principally during the daylight hours to accommodate the demand of passengers." This rationale appears to parallel my comments on p. 2 of REA-T-1, and supports the use of an incremental cost method for costing cargo traffic. It is not clear, however, whether the Bureau is really advocating an incremental cost approach or is in fact merely modifying its long-supported techniques for fully-allocated costs. Since the Bureau has always opposed the use of incremental costing, I am assuming that it intends to merely modify its use of fully-allocated costs. As I stated in my testimony, REA-T-1, I support the use of incremental costs for combination aircraft, the implication of which, despite the Bureau's statement referenced above, the Bureau does not recognize; i.e. no capacity costs should be charged to cargo in combination aircraft. Thus, in the remainder of this exhibit, I will examine the Bureau's method as a purported method of distributing total cargo costs on a full-allocation basis.

REA believes the substantive points of issue are allocation concepts. Thus, our rebuttals focusing on the Bureau in effect also apply to the concepts of the carriers. With what REA believes are proper allocation concepts, reasonably applied, the dollar and unit cost allocations become largely a matter of arithmetical application. In my judgment, it only confuses the prime issues involved to contend over dollar allocations resulting from drastically

different conceptual developments or to argue over subsidiary issues such as, for example, whether baggage should be considered in the allocation process at 35 pounds per passenger or some lesser weight. Although some "standard" other than 35 pounds would have some impact on the allocations of expense among cargo types, this is not nearly as vital a factor in arriving at a reasonable allocation of costs as a resolution of the conceptual approaches.

I have focused my rebuttal effort on the Bureau concepts, and the distortion of cost allocations they produce also because the Bureau exhibits alone facilitate an industry analysis, which is the approach needed. Additionally, I would be less than candid if I did not admit to a belief that in rate proceedings the Bureau's calculations seem often to be accorded far more weight in ultimate decisions than merited on the basis of wisdom or logic. For the Board to decide Air Express rates on the basis of Bureau expense computations in Docket 22387 would, in my judgment, be disastrous to all concerned.^{1/} This proceeding affords a unique opportunity to demonstrate this, in major part relying on the Bureau's own material.

In my direct testimony, REA-T-1, I have stated my positions of disagreement with the Bureau's concepts for allocation of both the so-called capacity-related and traffic-related expense pools. This is, in effect, a restatement of my positions in Docket 22387 (REA-R-1100).

In essence, I am as much convinced now as I was when testifying in 1971 (Docket 22387) that the basic concepts (applied differently case to case) advanced by the Bureau - and basically asserted to by the carriers - lead to monumental expense distortions among types of cargo of the overall pool of cargo expense in which each cargo type participates in differing degree.

Although by legal definition this proceeding is one to investigate freight rates, it is axiomatic that freight rates must be founded on an examination of costs; and further, in the rational world freight cost levels cannot be viewed in a vacuum separated from the costs for other cargo traffics which also contribute to the total cargo expense pool(s). Procedural convenience surely does not justify the nonsense of setting rates by separate proceedings wherein the same body of total expense is divided up by formulas which conflict from proceeding to proceeding so that the sum of the parts can never equal the whole - a wonderland concept, in my opinion.

^{1/} See Doc. 22387, my rebuttal testimony (REA-R-1100).

The REA rebuttals alone, so far in this proceeding and as well in Docket 22387, provide the development of costs for each type of cargo traffic implicit in the concepts and techniques employed by the Bureau. Only this full development of cost by type of cargo promotes proper perspective of the cost developed for any one type of cargo (such as freight in this proceeding) since any distortion of cost assigned to one type of cargo must be reflected in a distortion of costs assigned to other types.

It is vital to a proper resolution of costs for freight and other types of cargo for REA to be a party to this proceeding because what is decided for freight automatically has (or should have in a rational world) a substantial impact on express cost and thus rates. It is logically inconceivable to REA that the Board could place itself in the untenable position of deciding express rates (and divisions between REA and the Airlines) on costs derived from Bureau computations and Initial Decision findings in Docket 22387. These are monumentally higher than the costs computable for express from radically different techniques in this proceeding. Although REA does not agree with the validity of current Bureau techniques (even though they provide more realistic estimates than techniques used in Docket 22387), it is of importance to show how substantially the Bureau over-costed express in Docket 22387^{1/} compared to costs now resulting from application of techniques the Bureau now advocates.

For example:

Estimates of Airline Express Costs for 1969 (Before Return & Taxes)
Bureau 1971 vs. Bureau 1973 Techniques

<u>Bureau, Docket 22387 (1971)</u>	<u>\$(000)</u>	<u>¢/RTM^b</u>
Capacity Costs	31,679 ^a	29.77
Traffic Costs	12,259 ^a	11.52
Total	43,938	41.29
<u>Bureau Docket 22859 Techniques (1973)</u>		
Capacity Costs	18,058 ^c	16.97
Traffic Costs	8,733 ^d	8.21
Total	26,801	25.18
<u>Docket 22387 Overstatement</u>	17,137 (64%)	16.17 (64%)

^a Bureau Brief to Board, Appendix C, pages 2 and 14 before return and taxes.

^b RTM from REA-R-4, Docket 22859 (106,403,000).

^c Docket 22859, REA-R-4, Page 1, Part IC.

^d Docket 22859, REA-R-30 (Traffic Servicing) x 1.058 to allow for allocated other expense (Docket 22387, REA-R-20).

^{1/} The Initial Decision agreed in essence with the Bureau.

It is of interest to note that in Docket 22387 REA estimated 1969 airline-incurred costs at a total of \$25,240,000 or 23.72 ¢/RTM (Docket 22387, REA-R-1102) of within 6% of what we compute the Bureau would have estimated based on current techniques (shown above). Thus, it would appear that the Bureau itself in this proceeding has confirmed the basic validity of the REA estimates in Docket 22387. These, of course, were cavalierly dismissed by other parties and the Examiner in Docket 22387, seemingly because REA did not meet the consensus of estimates developed from the techniques in vogue at that time.^{1/}

Further, the REA rebuttals in this proceeding show that the current Bureau applications of its techniques produce express expense estimates for 1972 which agree closely with REA's estimates for capacity expense and not excessively higher in dollars for traffic expense. This is shown as follows:

Estimates of Airline Expense for Express
Based on 1972 Data and Techniques

Expense Pool	As Developed From			
	REA Technique \$(000)	¢/RTM	Bureau Technique \$(000)	¢/RTM
Capacity ^a	16,467 ^b	19.21	14,357	16.75
Traffic	5,777 ^b	6.74	9,961 ^c	11.62
Total	22,244	25.95	24,318	38.37

^a REA-R-2 page 2 before adjustment for reasonable load factor on combination aircraft.

^b REA-R-33. Based on REA's application of the Parsons' data the expense would be \$5,573 (See REA-R-32).

^c REA-R-32 based on the Bureau's use of Parsons' data (incorrect in REA's opinion).

As shown by Exhibits REA-R-32 and supporting exhibits I believe that the Bureau has mis-used the Parsons' study cost relationships established for "Terminal Handling" of cargo by applying them to the total Traffic Servicing Account. This accounts primarily for the difference between the Bureau and REA estimates of traffic-related expense.

Summary on Expenses:

I have summarized the dramatic reduction of the Bureau's level of airline-incurred expense for express resulting from the revisions in the Bureau's

^{1/} None of us would be present here had Columbus adopted the consensus of his time.

cost allocation factors in this proceeding compared to those so stoutly defended in Docket 22387. Now that the Bureau has implicitly conceded by its current allocations that its techniques in Docket 22387 produced a monumental over-estimate of express expense, it is reasonable to infer that its current techniques may also be somewhat less than perfect and therefore subject to revision. As will be brought out in discussion to follow, I am convinced that the current Bureau allocation techniques still over-state airline-incurred expense for express although by much less than in Docket 22387.

Throughout REA's rebuttals I have compared estimates of expense prior to mark-up for return and taxes. Aside from contention over what should be recognized investment, etc., the mark-up factor, once agreed on, can be applied similarly to any level of expense. Using the Bureau's 17.15% mark-up of expense so as to include return and taxes, I compute the comparative REA and Bureau Express results for the airlines in 1972 as follows:

Comparative Economic Results for Express, 1972
Domestic Airline Industry

	Estimated by			
	REA		Bureau ^c	Source
	A ^a	B ^b		
<u>Dollars (000)</u>				
A. Expense:				
Operating	22,444	16,505	24,318	REA-R-1
Mark-up @ 17.15%	3,849	2,804	4,158	BE-D-2001
Economic	26,293	19,309	28,402	
B. Revenue	<u>31,161</u>	<u>31,161</u>	<u>31,162</u>	
C. Excess Revenue	4,868	11,852	2,759	
%	18.5	61.0	9.7	
<u>Unit Values: ¢/RTM^d</u>				
A. Economic Expense.	30.67	22.39	33.14	
B. Revenues	<u>36.36</u>	<u>36.36</u>	<u>36.36</u>	
C. Excess Revenues	5.69	13.77	3.22	

^a At actual load factor.

^b At 51% load factor

^c Based on "service factor" of 2 for baggage.

^d RTM from FEA-R-6.

Whichever of the above sets of estimates is used, it is fair to conclude that (1) during 1972 Air Express rates in effect more than fully compensated the airlines and (2) the airline share of total Express revenue is too great rather than too small as alleged in Docket 22387 by all parties except

REA. A similar computation based on 1969 results (the base year for Docket 22387) as estimated by REA from current Bureau costing techniques shows the following:

Comparative Economic Results for Express, 1969
Domestic Trunk and Local Service Airlines

As Estimated by REA Based on
Current Bureau Techniques

Dollars (000)

A. Expenses:	
Operating ^a	26,272
Mark-up @ 18.5% ^b	4,956
Economic	31,748
B. Revenues ^c	36,985
C. Excess Airline Revenues	5,237

^a REA-R-2 and R-30 (with the data in the latter increased by 5.8% to include other traffic related expenses per REA-R-1120, Docket 22387).

^b Docket 22387, Bureau Brief to Board.

^c Docket 22387, REA-1001.

Without need to go through an elaborate and perhaps controversial forecast of traffic volumes and cost levels for the future, it is clear that the current yield from Express to the airlines is more than enough to provide for any cost contingencies even if the airlines do not increase their historically low cargo bin load factors. If, however, Express (and other F.E.M. cargo) is costed on the assumption that substantially higher load factors are reasonable on which to base costs - and I am convinced this should be done - the airlines are being substantially over-paid at the expense of the public and REA.

Comments on Development of Capacity-Related
Expenses:

My direct testimony, REA-T-1, pages 4-11, sets forth my concept of how capacity-related cargo expenses should be apportioned among types of cargo and the logic in support thereof. It also points out what I feel are the false premises underlying the Bureau Concept and techniques in vogue until this proceeding.

In this proceeding, of course, the Bureau has abandoned priority weightings among types of F.E.M. and, in fact, even all reference to priority. This shift from prior case technique (always vigorously supported by words but not

factual evidence) immediately removes one major source of cost allocation distortion produced in the past. The Postal Service itself, of course, in exhibits distributed in Docket 23080-1 abandons priority weightings, particularly a major source of allocation distortion. Such priority weightings were based on the pretense that it costs the airlines much less to operate a cargo compartment carrying first class mail than one carrying air mail (20% less in all-cargo aircraft and 35% in combination aircraft). The logical implication of this illogical assumption is that the same aircraft would cost less to operate if used only to carry first class mail than if used to carry air mail - of course, preposterous. So it appears now that REA's position on priority as a "non-factor" in capacity-related costs has been accepted.

REA's position on density-weightings is equally basic. Until a cargo bin is filled and traffic refused - so seldom at current low load factors as to not merit consideration on an annual industry average basis (See REA-R-10 through R-13) - it makes no difference as to costs whether one type of cargo occupies 10 cubic feet of bin capacity or 20.

The illogic of claiming otherwise is reduced to essentials by the simple conundrum I pose on pages 6 and 7 of my direct testimony. This, stripped to essentials, simply establishes that a ton of cargo (or any other amount) of any type (of any density) must cost 50 cents to fly one mile if it alone is carried in the aircraft bin. It then poses the question raised by the density weighting concept of why a half-ton of "Type A" cargo (density of 10 lbs. per cubic ft.) should cost 33.33 cents (instead of 25 cents - 1/2 50¢ bin cost) when it is carried jointly with a half-ton of "Type B" cargo (density of 20 lbs. per cubic ft.) costed at 16.67 cents ($33.33 + 16.67 = 50$), the one type being costed at double the other, merely because it occupies more space in a bin only 15% filled. To accept as rational a conclusion that actual costs vary with every different cargo mix implies (a) that the "cost" of any type of cargo is continuously changing as it is mixed in different proportions with other types of cargo and (b) the only basis for determining real costs is to fly each cargo type in separate aircraft.

The Initial Decision in Docket 22387 (page 45) seemingly addresses itself to the problem posed above which was also posed in my rebuttal testimony in Docket 22387 in similar if less simple terms. (unit costs were shown).

It was curtly dismissed as a "bootstrap argument" perhaps because the Administrative Law Judge became impaled on the very simplicity of the dilemma, the choice between sense and Bureau theory. Unit costs, no matter what the unit, are merely derivatives. No shipper would feel it fair or realistic to pay 33.33 cents to move a half ton (simply because some other shipper of another cargo got his half ton for 16.67 cents) if he knows he could ship a whole ton for 50 cents provided the second shipper were not available to get a bargain rate at his expense. The second shipper, of course, would also pay the full cost if he alone were paying the real cost in my example - 50 cents for one ton carried alone or 25 cents per half ton.

Logically, I feel I have not posed a "bootstrap argument". The seemingly real counter to my objections to the "density/priority theory" - expressed or implied by all adversary parties and the Initial Decision in Docket 22387 - was in essence that the Board had accepted this density/priority concept in prior cases. (I.D. Sic jus divinum sine onus probandi) The Board changes, however, and has been known to change its collective mind when given the choice between logic and specious rationalizations such as were advanced in a support of the density/priority theory when the Board accepted its implications in Docket 18381 processed some years ago.^{1/} At least in major degree the Board has already changed its mind as evidenced by Order No. 73-8-145 (issued 8/30/73) proposing uniform rates for both classes of mail (logically presumptive of uniform costs). In this proceeding it is clearly posed with the need to further change its mind inasmuch as the Bureau's revised cost allocations both conflict with prior methods and produce non-uniform mail costs.

However, there is clear evidence that some ALJ's and the Board have not been oblivious to the implicit results flowing from the Bureau's density/priority concept. The Initial Decision in Docket 18381 (page 14) states:

"The decision (1961 case) followed earlier non-priority mail rate cases in which the Board had determined that, because the service was in the nature of an experiment, non-priority mail should not be charged with a full share of costs (30 C.A.B. 951, 23 C.A.B. 845)".

On page 45, Initial Decision, Docket 18381, it is further stated:

"... considering the space available provision of the Post Office regulations and the lower boarding priority of non-priority mail as compared to all other cargo traffic except deferred freight, a fair and reasonable rate for non-priority mail should still continue to yield less than the fully allocated costs of the service." (Emphasis supplied)

^{1/} See REA-T-1 and REA-R-1100, Docket 22387.

Review of Board Opinions in cases prior to Docket 13831 confirms that in Docket 11090 (Order E-15041) decided March 25, 1960, the Board Opinion (30 C.A.B. 954) says:

"Thus, the rates which will be established are below fully allocated costs ..."

It can be fairly inferred, in my opinion, that the Board was and still is fully aware of the fact that the Bureau density/priority technique assigns some types of cargo with less than fully-allocated cost (freight and first class mail) and therefore other cargoes with more than fully-allocated costs (Express and air mail). That it went along with this technique in Docket 13831 simply infers that the Board wished to continue below-cost, promotional rates for first class mail and that it found the Bureau statistical approach a convenient means of "justifying" the rate set (in appearance, if not in fact).

In essence, I still characterize the Bureau concept of weighting RTM for cost allocation a "shell game". Proof of this is evident from Exhibits REA-R-5 and R-6. Here I have displayed the monumental shift in allocated dollars, unit costs and cost distribution for 1972 which result from applications of the Bureau's succession of changes in its "weighting game" from 1971 to date (three dockets). The total cost for cargo is constant. Surely the real costs by type of cargo do not change either. By REA-R-4 I have compared 1969 costs similarly developed by the different Bureau weighting games in Docket 22387 and the current proceeding. Again, the shift of allocated costs by type of cargo is mind-boggling.

Furthermore, comparative unit costs by type of cargo (no matter which set of Bureau weighting numbers are used) are unbelievable. For example, using 1972 cost levels and the Bureau's current weighting numbers (REA-R-5, page 2, B 3, method B) I cannot accept as reasonable that air mail actually "costs" 54% more than first class mail to carry in a sparsely filled bin, or that express costs 183% more than first class mail or 131% more than average mail cost. By prior case weighting numbers the relative "costs" are even more unbelievable.

Aside from its conceptual fallacies the Bureau game of allocation by weighted RTM produces a constantly shifting cost mirage depending on what weighting numbers the Bureau uses from case to case. Who knows why the Bureau invented a new term in this proceeding and selected a nice round "service

number" of 2 for baggage against an even 1 for all other types of cargo? Why not 1.75 or 2.25? The selection, of course, is purely subjective without a shred of evidence to support it just as were past selections of priority numbers. Such subjectively selected weighting numbers can be juggled from case to case dependent upon Bureau cost allocation objectives. In this proceeding it may be reasonable to infer that the Bureau wishes to "justify" a position against the truly substantial increase in freight rates which would be needed to meet even operating cost.^{1/}

The selection of density weighting numbers is, of course, not wholly subjective but the numbers (and thus the cost impact) continue to shift from case to case as the airlines are called on at substantial cost to go through a density-testing quadrille. These tests based on samples produce at best approximations without any assurance that a density test conducted for a week or so during 1972 (express was last "tested" in 1970) represent either the average for the year or reasonable data for the future. Even for a given class of cargo the mix of shipments or pieces (and thus average density) can be expected to change continuously.

In brief, my characterization of the Bureau's highly subjective conceptual approach to allocating capacity expense as a shell game is not unfair. It is an approach which lends itself perfectly to tailoring allocated costs to whatever the Bureau may feel reasonable at the moment. For example, the current assignment of a "service" factor of 2 to baggage may represent the Bureau's effort to fit into its formula technique a weighting by which it hopes to produce the equivalent of a cargo bin load factor adjustment (BE-T-206, page 7). If so, it would appear more logical to me to make a straightforward adjustment as I have shown in REA-R-2. Then at least we would know what the adjustment is based on.

Compared to the Bureau allocation technique for cargo capacity expense the REA technique (actual RTM) is simple, completely objective and based on known units regularly compiled by the carriers and paid for by shippers. It produces, in my opinion, completely rational cost allocations and rational

^{1/} In 1971 the average yield from freight was 22.75 ¢/RTM. Exhibit REA-R-1 shows that even by Bureau computation freight costs were 26.47 ¢/RTM (excluding return). By my computations the cost was 31.45 ¢/RTM at the actual load factor.

comparative costs. It was accepted by all concerned before the Bureau became fascinated with the potentials of its flexible system. As shown by REA-R-4 (pages 1 and 2) it does not produce at actual load factors costs as low as now advanced by the Bureau for freight, express and mail. It avoids the fiction that density somehow is a cost factor (space used per unit of weight) when cargo bins are flown on the average with 50-70 percent of their space unused. As shown by REA-R-2, fully-allocated costs at actual load factors may be adjusted on a straight-forward manner to reflect what costs would be at any other load factor that may be deemed reasonable.

Comments on Traffic-Related Expense Allocations:

Exhibits REA-R-30 through R-51 provide my analysis and supporting data for study of this pool of airline-incurred expenses.

Basically I have allocated this pool of expenses by two completely independent approaches (to test comparative results). One is based on my interpretation and application(s) of Parsons' Report data and the other based on a technique generally similar to that employed in Docket 22387 but substantially refined and better supported by data not available to me when making Docket 22387 allocations. The results of my two different approaches offer a reasonable degree of confirmation of one another considering the total amount of industry expense to be allocated (\$515.4 million for cargo in total) and the complexity of the problem. These REA estimates and that produced by the Bureau's application of Parsons' data are as follows:

1972 Traffic Related Expenses Allocated to Express			
	\$ (000)	\$ Per Ton	Express Unit Cost Relative to Freight
A. REA Estimates			
1. Based on Parsons	5,573	30.35	21.6
2. REA Method	5,777	39.75	25.4
B. Bureau per Parsons	9,961	60.54	51.7

Source: REA-R-32 and R-33.

Although the high and low of these estimates made by REA differ by some \$204,000, this is, in fact, a very small percentage difference (.004%) resulting from an allocation of some \$515.4 million of total cargo expense (REA-R-32).

Unless my understanding of the Parsons Report is in error, I feel the Bureau has mis-applied the Parsons data to arrive at its estimates. As I shall develop later, the Parsons Report is unclear in major respects and thus subject to mis-application. Probably only cross-examination of a fully-informed Parsons witness can clarify its ambiguities.

Even though I believe the Bureau's estimates in this Docket are substantially in error (too high for express and too low for freight) because of its concept of applying the Parsons data, Exhibit REA-R-30 shows that the Bureau's changed approach (from Docket 22387) represents a major change in thinking as to relative unit costs for ground servicing of the types of cargo traffic. This latter exhibit, of course, is restricted to an analysis of the C.A.B. Traffic Servicing Account (6200 plus allocated 6300) which in reality is the only account applicable to express (and mail). It demonstrates that in Docket 22387 the Bureau costed express at a higher cost per ton than freight (101.43%). The Bureau technique used in this docket presumably would have costed express at only 55.28% of freight per ton. This substantial change by the Bureau in unit cost relationship between express and freight represents a major shift, although still insufficient, toward my consistently expressed position, namely that express (and mail) is not nearly as costly per ton for the airlines to handle on the ground as is freight. This is true because for express REA performs all the work and cost functions other than (1) moving express between the REA terminal and aircraft and (2) loading and unloading it. My rebuttals here are designed to show why I believe the Bureau's current technique (based on Parsons) still produces an over-stated cost for express (and mail) compared to freight (and consequently under-costs freight).

Since this matter of relative ground costs by the type of cargo has become a confusingly complex subject, (unnecessarily in my opinion) because of loose use of terminology, some background discussion may serve to clarify matters and show why different allocation techniques produce such different answers as confront us case to case.

Until this proceeding almost all parties except REA and American have been content to allocate the total Traffic Servicing account expenses among

the type of cargo on the basis of enplaned tons or some slight modification thereof.^{1/} This technique produces essentially a uniform cost per ton for each type of cargo despite the tacit if not expressed consensus among most parties that the workloads and functions performed by the airlines are substantially less for express (and mail) than for freight.

REA vigorously challenged in Docket 22387 any allocation process which produced similar unit costs for express (and mail) as for freight. It did so without much success. The Bureau on Briefs did finally agree with REA's position in words (see page 19, Bureau Brief to Board) but then proceeded to rework its mathematics (erroneously in my opinion - see REA Reply Brief to Examiner, pages 51-59) so that its revised estimate of some \$13.4 million (Bureau Brief to Board, Appendix C, page 14) became identical with its original allocation (by tons) of \$13.4 million in direct exhibits (Docket 22387, REA-R-1103).

The Initial Decision in Docket 22387 treated this problem even more cavalierly. After finding that "all the parties recognize the significant differences between the airlines' express handling and their freight handling" (I.D. page 59), it then proceeds to allocate on the basis of tons enplaned, saying, in essence, that even though the airlines benefit from lesser functions performed for express (compared to freight) in the ground handling set of functions (only a part of total Traffic Servicing) there are "off-setting additional costs" accruing from priority of express handling on the ground. Thus, an acknowledged erroneous allocation process (enplaned tons) is "found" to produce a correct allocation of costs because of assumed costs not specified as to amount or supported by analysis. Furthermore, while it is clear that the I.D. discussion is restricted to the ground handling portion of total Traffic Servicing, the allocation by tons enplaned is applied to total Traffic Servicing including the substantial body of other costs applicable to freight alone.

I find this latter error of the I.D. repeatedly made in allocations of the Traffic Servicing total on the basis of analysis of the ground handling portion alone. This is the basic error made by the Bureau in this proceeding.

1/ I direct all my remarks to follow to Traffic Servicing since successive sets of exhibits (both Bureau and Carrier) in recent rate cases and in this one indicate almost all parties agree that freight alone should be charged with the cargo costs in other C.A.B. major accounts (Reservations and Sales, Advertising and Promotion) aside from an allocated portion of C&A.

The genesis of the Traffic Servicing allocation problem, I believe, lies in the difficulty of equating Form 41 objectively stated accounts (i.e. stated in terms of personnel and related costs services and materials, etc.) with costs by traffic function (documentation, record-keeping, physical handling, transportation of cargo, customer services, etc.) which are needed in order to reasonably separate costs by type of traffic. Although there is no agreed-on set of functional terminologies, exhibits REA-R-37, R-42 and R-44 provide a clear indication that the Traffic Servicing Account as a whole can be viewed functionally as made up as follows:

<u>Total Traffic Servicing</u>		<u>100%</u> ¹
Comprising Sum of:		
1. Ground Handling	60	<u>100%</u> ¹
a) Terminal Functions	36	60
b) Load, unload and airport moving	24	40
2. Services and offices	40	

¹ Percentage distribution assumed for illustration only to show that if the load/unload function (1b) is 40% of Ground Handling, it will be only 24% of the Traffic Servicing total.

Exhibit REA-R-31 provides what is a representative breakdown of the sub-functions of Ground Handling (1 above), performed respectively by the carriers and REA for express. For mail the sub-functions under express are similarly divided between carriers and USPS. The functions shown as performed by the carriers for express, in essence, are commonly termed the load/unload function. Exhibit REA-R-37 shows that at least one major carrier (few carriers provide such a functional break-down) concurs with REA that virtually the only function performed by an airline for express is to load/unload and move it between aircraft and the REA terminal (item 1b of the above break-down of Traffic Servicing).^{1/} Virtually all other functions and their cost is for freight alone. This makes obvious, in my judgment, why no allocation study limited to the ground handling set of functions can be properly used to allocate total Traffic Servicing.

The Bureau in Docket 23080-1 recognized this situation by adopting in principle a process whereby (a) costs directly assignable to freight should be

^{1/} The flow diagrams of the Parsons Report indicate for the functions measured that Parsons concurs as well.

so assigned, and (b) only the residual costs jointly-incurred by all types of cargo be allocated. Although this approach is conceptually valid, it was negated in practice by the Bureau in Docket 23080-1 because only three carriers supplied the necessary direct cost assignments to freight and only one (AA) provided a realistic assignment. As a result the Bureau, in Docket 23080-1 actually allocated about 85% of industry costs across the board on the basis of enplaned tons, and thus largely missed its objective.

The Parsons Report. I find the Parsons Report on which the Bureau now bases its allocation technique is ambiguous as to what body of functions (and expenses) has in fact been analyzed (as distinct from allocated). The title of the report "Air Cargo Terminal Handling Costs" as well as the great mass of detailed analyses indicate that the scope of the analytical effort is limited to those functions commencing with receipt of cargo from the shipper at the carrier freight terminal (REA or USPS facility for express and mail) and ending with delivery to the customer recipient at the terminal (Parsons, page 1-2). This set of functions would seem to closely match those which are commonly termed ground handling. The Parsons text, however, goes on to say "the costs of operation directly and indirectly applicable to cargo processing (such as office support services, reserved air freight, tracing, billing, and scheduling) were identified ---. These costs were then allocated to the cargo processing costs as applicable" (emphasis supplied).

I interpret the above to mean that (a) the directly identifiable ground handling labor functions (see Parsons, page 1-1) were in fact measured, and (2) the indirect functions applicable only to freight (as stated in the parentheses above) were then allocated among all types of cargo in some fashion - clearly unjustified, in my opinion.

The Parsons Report also states as a study objective (page 1-1) was "to develop an appropriate methodology -- for allocation of Form 41-reported servicing expenses among principle categories of traffic" (emphasis supplied).

I cannot be certain how this latter objective was performed but it appears from the Parsons text and Appendix D that Parsons in fact (1) made no measurements of costs incurred for the limited number of labor functions it measured (the Ground Handling portion of the total 6200 account) and (2) made no measurement of either labor or costs for the many functions not studied. It seems quite clear to me that Parsons merely accepted

airline-allocated total 6200 account dollar costs by station for F/Y 1972 and then proceeded to allocate these total 6200 account dollars among the types of cargo traffic on the basis of the relative man-minutes for the Ground Handling functions which alone had been measured.

If, indeed, my analyses of the Parsons Report is valid I conclude that Parsons has erred substantially if (1) it has in fact allocated any significant cost to express (and mail) included in its "catch-all" category of costs "indirectly applicable to cargo such as office support services, reserved air freight, tracing, billing, scheduling" and (2) it alleges that the total Traffic Servicing account expense has been analyzed or (3) it suggests that the total Traffic Servicing account can properly be allocated among types of cargo on the basis of the expense (or labor) relationships the report develops for what appears, in essence, to be for Ground Handling alone (terminal handling per Parsons).

I am convinced that Parsons (and the Bureau) has seriously misapplied its study of relative man-minutes of labor for Ground Handling by type of cargo when it distributes the total 6200 account costs on the basis of labor for Ground Handling (and so overstates costs for baggage, mail and express while understating freight costs). Nevertheless, it is clear that the cost relationships even as developed by Parsons (REA-R-34) support my often-stated basic position; namely, that the cost for servicing a ton of baggage, mail or express is far less than for servicing a ton of freight. As shown by exhibit REA-R-32 the Parsons or Bureau application of the Parsons study suggests that mail or express costs per ton about 55% of freight whereas I conclude the mail/express relationship to freight is only about 21% (6200 account alone). My exhibit REA-R-33 indicates that mail or express costs per ton about 25% of freight. Thus, even if there is serious disagreement on how the limited Parsons data should be used to allocate the total 6200 account, the Parsons study has at least established that the allocation of 6200 account costs among types of cargo traffic on the basis of relative tons enplaned is wholly unrealistic.

The question remains, can the labor or cost relationships developed by Parsons (REA-R-34), seemingly for ground handling, be applied as the Bureau has done to allocate validly the total body of expense for Traffic Servicing? I am convinced the answer must be no. The actual analyses (as distinct from allocations) of Parsons are basically similar to that set of functions commonly termed ground handling; or, as described previously, the handling of cargo from reception to delivery on the airport. Within this category of functions express (and mail) subject the carriers only to the load/unload function, whereas substantial additional processing work load is entailed for freight within the carrier terminals (not required for express or mail).

I believe the Parsons cost differentials (REA-R-34) have measured the differentials among cargo types reasonably for the ground handling set of functions.^{1/} However, labor and cost factors developed for ground handling cannot then be properly applied to the large residual body of Traffic Servicing expenses (46% of the total per REA-R-16) because virtually all of this residual (except allocated 6300) is directly assignable to freight (REA-R-37). This, in my judgment, is where the Bureau has erred.

Exhibit REA-R-32 shows the contrast in traffic related cargo expense by type of cargo (and Traffic Servicing by itself) developed by (a) Bureau's application of Parsons data and (b) REA's application of Parsons data. In my judgment the Bureau has substantially over-stated expense for baggage, express and mail and understated that for freight.

However, aside from the expense differentials themselves, the Bureau has in this proceeding finally advanced an expense allocation which concurs in principle with REA's consistent position; namely, that in terms of comparable units (per pound or ton since pieces and shipments are non-comparable) the airlines' cost of servicing express on the ground is a fraction of that for freight. REA believes express per ton cost some 20-25 percent of freight whereas the Bureau concedes it now computes express cost as some 52% of that

^{1/} Parsons page 2-10 concedes to what I interpret as a probable understatement of baggage labor and costs. Since baggage tonnage in its measured sampling (REA-R-34) is almost as great as freight, it is apparent that any significant upward revision of baggage labor would increase baggage expense and decrease expense for express and mail.

for freight - a major shift from prior case positions.^{1/}

REA Method: Exhibit REA-R-33 provides REA's development of carrier traffic-related expense by type of cargo based on a technique wholly independent of the Parsons Report data. This technique, founded on carrier data and studies in prior cargo data proceedings, is essentially a refinement of the technique used by REA in Docket 22337.

The actual cost relationships among types of cargo are developed basically from analysis of a series of exhibits submitted in prior proceedings by United but supported by other carrier data as well. I have relied heavily on United data for several reasons. It is the largest cargo carrier in terms of volume for all types of cargo. Its industrial-engineering type data submitted in prior proceedings appear to be founded on professionally done industrial-engineering studies which United has relied on as much for internal management guidance as for "justification" of estimates in a specific rate case. In fact, the conclusions I derive from them do not support United allocations submitted in information responses in this proceeding (UA-2201 and UA-2203) which rely heavily on tons enplaned. Finally, relying on one carrier's data throughout provides greater consistency of data and functional divisions of expenses than likely would result if two or more carriers were used. I want also to stress that the United and other carrier data are used solely to derive unit cost relationships, not cost levels. The relationships so developed are applied to 1972 cargo expenses compiled by the Bureau from carrier-supplied data.

Exhibit REA-R-42 shows the initial step in my development of the express/freight unit cost relationship. This development relies heavily on the relative labor relationships by sub-function of ground handling shown by REA-R-41. It will be apparent from REA-R-42 that I have computed the express (and mail) unit cost for the loading sub-function of ground handling at substantially higher cost than for freight - in all-cargo aircraft 3.35 times higher and in combination aircraft 1.4 times higher. These unit cost differentials for loading, unloading and moving the two types of cargo, reflect

^{1/} It is of interest to note, moreover, that the Bureau has in this proceeding changed its method of applying the Parsons findings from that submitted with rebuttals in the Mail Case, Docket 23080-1. There, in DE-D-2000, the Bureau applied alleged Parsons data so as to conclude that mail costs were higher (based on Parsons data) than the Bureau had computed based on allocations by ton for some 85% of industry cargo expense. The base costs in Docket 23080-1 were the same as in this proceeding.

reasonably in my judgment, the differentials in costs for this function resulting from (a) differences in size and weight per unit handled (b) the cost advantage (for freight) of loading and unloading all-cargo aircraft at the carrier terminal and (c) greater frequency and distance of "runner trips" (movement between aircraft and terminal facilities) for express (and mail) than for freight.^{1/} However, since the terminal performed functions for express (and mail) are carried out by REA (or the USPS for mail) and by the airlines for freight, the total airline cost for ground handling of express becomes less than that for freight. In essence, as I interpret the Parsons data, Parsons basically concurs even though the precise relationship computed from Parsons differs somewhat from my development (as previously shown).

Exhibit REA-R-44 shows the second step in my development of relative unit costs. Here I apply the data developed for ground handling (REA-R-43) to the total Traffic Servicing account expense. This incorporates, of course, the positions believed correct that (a) all expenses in the broad category of "office costs" are in fact wholly attributable to freight (See REA-R-37) and (b) the so-called "indirect and other expense" shown by REA-R-44 (primarily 6300 account expense) can reasonably be allocated on the basis of direct cost. This second step then works out to show that the total Traffic Service unit cost for express approximates 25% of that for freight. (Logically, if the unit cost of express is some 45-55% of that for freight for the Ground Handling set of functions alone, the unit cost for express relative to freight must be substantially less when Traffic Servicing as a whole is considered.^{2/} In my judgment the Bureau has erred by not recognizing this point.

By REA-R-33 I have applied the relationships so computed for baggage, express and mail on the one hand, to freight on the other so as to distribute the known 1972 total Traffic Servicing account expense among the types of cargo. The distribution of other categories of traffic-related expense (C.A.B. accounts 6500, 6600, 6800, etc.) should be non-controversial.

The rationale of my development of traffic-related expense by type of cargo is, I am convinced, correct and the costs resulting from it reasonable.

^{1/} These are the factors seemingly so fantastically over-magnified (by judgment alone) in Docket 22357 Initial Decision rationale as to more than off-set the substantial savings realized by the carriers from the fact that virtually every cost function other than the load/unload function is performed by REA.

^{2/} See illustration on page 14 of text.

I do not allege, of course, that my developed expenses are precise any more than can be claimed for expenses developed by any method (including use of Parsons data) which is designed to allocate a large body of jointly-incurred expense among four types of cargo, each of which contribute differently to the total. It will be apparent that my technique is wholly independent of data from Parsons and that each assumption made therein is supported by carrier data submitted in prior proceedings. I have not biased, by major judgment decisions, the application of this supporting data so as to distort expense relationships among types of cargo. In fact, where I have had to make a minor judgment selection of data (as in using the limited data in REA-R-41) I have probably done so in a manner resulting in over-costing of express (See note 9, REA-R-41). On balance, I believe the close correlations of allocated expenses by my method with those developed by my applications of Parsons data (REA-R-32) strongly suggests that my expense developments - whichever relied on - are much closer to the mark than that by the Bureau.

Summary

This, it is true, is legally designated a "freight case". The expense level ultimately determined for freight is likely to be neatly compartmentalized from expenses for each other type of cargo. Yet, whatever expense level is ultimately determined as reasonable for freight must implicitly have bearing on the expense levels for other cargo types because all are inter-related. The expenses for the other types of cargo can easily be derived from the common base expense data by the same techniques used in determining freight, as my exhibits demonstrate.

I expect REA with these exhibits will, however, be the only party with interest sufficient to perform what I feel is needed in any rate proceeding wherein jointly-incurred expense must be allocated to any one type of traffic; namely, a concurrent allocation to each other type of traffic contributing to the expense total. This alone will show (a) whether relative unit costs by type of cargo meet the test of reasonableness and (b) whether the sum of the individual allocations equals the known total expense.

If in my discussion above I have emphasized express costs rather than freight costs (as may be deemed more appropriate in a "freight case") this is because whatever level of freight cost may be decided as reasonable in this

proceeding bears directly on express as well. My exhibits, however, show the developed expenses for each type of cargo based on identical allocation methods. The basic thrust of my text, moreover, really applies to each type of cargo because all are related.

REA Express necessarily has a substantial stake in the proper costing for each type of cargo simply because whatever level of expense is ultimately attributed to one type - freight in this proceeding - must, in a rational costing process, have a substantial impact on the expense attributable to express.

I believe there are important conclusions to be reached from what has transpired in three separately-heard cargo rate cases within the brief span of three years. The cost-outs in these separated proceedings have permitted substantial distortions of allocation of a common body of cargo expense among types of cargo. Were one to combine the expenses allocated to one type of cargo by the Bureau methods used in one proceeding with the expenses allocated to other types of cargo by the methods used in a different proceeding, it is unlikely that the sum of the parts could ever equal the total. This is well illustrated by REA-R-5 dealing with capacity costs. Here I show the known total expense for 1972 allocated by the three differing Bureau methods used respectively in Dockets 22387, 23080-1 and 22859 (this proceeding). If one adds together the expenses as allocated by the Bureau techniques for express in Docket 22387, mail in Docket 23080-1 and freight in this proceeding, the sum does not come close to any one of the 1972 F.E.M. expense levels one may choose. If, moreover, any one of the several variations of computed baggage costs is added in, the known 1972 total is not attained.

Furthermore, for any one type of cargo which may be selected, the variation of expense level as the Bureau technique changes is unreasonable. Express, for example, is costed out at \$22.5 million by the Docket 22387 technique, at \$31.4 million by the Docket 23080-1 technique and now in this proceeding at only \$14.4 million. Each cannot be valid. Yet each is founded on the same Bureau concept of allocation, density and priority (now "service") weighting of revenue ton miles.

The above nonsense comes about in large part because the Bureau, on whose computations so much Board reliance is normally placed, changes its "weighting factors" case to case, apparently unmindful of the implications.

Each of its techniques seemingly is the "valid" one for the specific case being heard and almost any disagreement by other parties is either summarily brushed aside or ignored. But in the next round of the shell game the peas are differently podded with apparently similar assurance that they are properly positioned. Of course, as I have repeatedly demonstrated in this proceeding as well as in Docket 22387, I am convinced that any allocation technique founded on specious rationalizations and continually changing and subjectively selected "weighting factors" must lead to the types of conflicting results I have demonstrated.

* The irrational variations of expense levels "assigned" by the Bureau case to case might be deemed merely a cause for amusement if the stakes involved for the parties who must suffer the consequences (including the public) were not so high. Millions of dollars are shifted with utter nonchalance from one type of cargo to another from case to case. Rates based on the alleged expense level for any given type of cargo computed in one case can be "proved" unjustified by expense findings in a succeeding case - as evidenced by this case. Allocation concepts which permit this situation should be once and for all rejected. Those advanced consistently by REA are shown to produce both rational and consistent expense allocations meeting the test of reasonableness.

(78161)
TRANSCRIPT OF HEARING, EXPRESS SERVICE CASE
TESTIMONY OF MR. de VOURSNEY, PARTICIPATING AIRLINES

[96]

* * *

1 BY MR. MATTHEWS:

2 Q Mr. de Voursney, would you turn please in your
3 direct testimony, PA-T-3, pages roughly 7, 8 and 9, where you
4 speak of the possibility that you might be able to use
5 Air Cargo Inc. instead of REA, if the agreement between the
6 Airlines and REA were terminated?

7 A Yes, that is one possibility.

8 Q I'd like to ask you a few questions about ACI,
9 in order to measure the probability of that possibility.

10 What is ACI's basic method of operation? How
11 does it get the physical ground handling accomplished?

12 A It provides ground pickup and delivery on behalf
13 of the carriers under contract to the carriers through ACI.
14 That is, it has -- ACI has individual contracts with individual
15 ground transportation companies, truckers, if you will.

16 Q So it leases in effect the trucks and the drivers
17 and so forth?

18 A Well, I couldn't characterize it that way. It has
19 contracts with the surface carriers.

20 Q Surface contracts?

21 A That's correct.

22 Q Is that the only method by which ACI provides
23 ground services?

24 A That is the principal method.

25 Q Is there any other method?

* * *

mm5 1 THE WITNESS: Let me finish the answer.

2 What you are saying, I interpreted your question to
3 mean, why don't we handle air freight in the same manner that we
4 do air express and again, I say that is just not the way the
5 air freight business developed.

6 There have been suggestions that that might be a
7 better way for this industry to do the air freight job.
8 I have never heard a suggestion responsibly proffered that it
9 would be better to do the air express job as we do the air
10 freight job.

11 BY MR. MEISER:

12 Q Referring now to your statement and general testimony,
13 that one of your goals is to promote the widest possible use of
14 air service at the smaller points and primarily through the
15 local service carriers now apart from the REA airline agreement.

16 Isn't it true that the airlines themselves,
17 including even local service carriers, provide substitute
18 surface service in many instances?

19 A Yes, they do provide substitute surface arrangements,
20 yes, by motor truck.

21 Q And isn't it true that the trunkline carriers in
22 fact provide a substantial amount, referring for example here,
23 to American in Texas.

24 Are you familiar with their Houston-Dallas operations?

25 A No, I am not.

TESTIMONEY OF MR. CAMPBELL, PARTICIPATING
AIRLINES

[265]

* * *

1 EXAMINER KEITH: All right.

2 BY MR. RYAN:

3 Q Could you refer to your Exhibit 304, please?

4 A Is that a direct exhibit?

5 Q That is correct.

6 Is this your exhibit? I should have checked that.

7 A Yes, if it is the direct exhibit, that is mine.

8 Q All right.

9 Now I gather this exhibit purports to tell us how
10 much cargo was left behind on certain flights, is that correct?

11 A That is correct.

12 Q Would you define the term "cargo?"

13 A Freight, mail and express.

14 Q And is it possible from this exhibit to determine
15 how much of the cargo which was left behind, was, in fact,
16 express?

17 A No, it is not possible.

18 Q Or mail or freight?

19 A No, they cannot be broken out.

20 Q Is it possible to determine from this exhibit, or
21 any other exhibit which you sponsor, how much freight was
22 left behind because of priority of mail and express?

23 A No.

24 Q Is it possible to determine from this exhibit, or any
25 other exhibit which you sponsor, how much express was left

mm5 1 behind because of the priority of mail?

2 A No.

3 Q Were any of the flights in this survey 747 flights?

4 A I did not make that check.

5 Q The answer is, therefore, that you do not know?

6 A That is correct.

7 Q Is it possible to determine from this exhibit, how
8 much of the "cargo" which was left behind was due to
9 weather reasons?

10 A You mean because the flight itself was cancelled?

11 Q Or intermediate points were not served because of
12 weather.

13 A No.

14 Q Is it possible to tell from this exhibit how much
15 cargo was unloaded or -- I am sorry, was left behind because
16 of excess demand on secondary sectors of the flight, that is,
17 a flight, for example, Akron-Canton, and traffic was left behind
18 at Akron, which could have moved to Canton, but could not have
19 moved to its ultimate destination on that flight to a point
20 beyond Canton?

21 MR. BERNHARD: Mr. Ryan, Akron-Canton is a single
22 point.

23 MR. RYAN: I am sorry.

24 BY MR. RYAN:

25 Q Let us take Akron-Canton to point X and the

* * *

Q PA-121, please, page 1.

Perhaps you could just talk me down through this exhibit, describing how you made your calculations here.

A Well, we took the survey which is reproduced as part of the information request, and we had 651,000 -- 652,000 pieces of express, and we translated that into shipments, at 1.44 pieces per shipment to get 670,000 pieces of shipments handled by REA.

And then we translated the 651,000 pieces that were in the survey in the top two lines into a number of shipments in the third set of lines, so we have 453,000 shipments in the survey.

Then we had a problem of saying how many of these shipments were actually originating and terminating because of the problem you just mentioned before, between the way the airlines report and the CAB would handle the shipments and what originating shipments this amounts to.

The airlines handle every air express shipment about 1.6 times. It is a very heavy transferred traffic. In our survey, an originating shipment on air express would actually show up as 1.6 shipments.

So we took the reciprocal of that, .64, and we had, in our survey, we had a total universe of 144,893 originating shipments and 144,824 terminating shipments.

Then we went to the survey and we said, how many

5
1 shipments did the airlines receive from customers at small
2 airports, primarily, and this was 7,135, or 4.92 percent
3 of the total shipments that were in the survey, and the same
4 thing on how many shipments did the airlines deliver to the
5 consignee directly at a small airport as distinguished from
6 turning over to REA for delivery.

7 This came to 3.12 percent. The total was 11,652
8 shipments were handled from either the consignor or to the
9 consignee.

10 Q What about the bottom line?

11 A That is the sum of the 7,000 and 4,000, 11,000
12 is 8 percent of 145,000.

13 Q If you arrive at your percentage figure for
14 shipments received by the airlines by applying the 7135 to the
15 144,893 -- in other words, matching originations with
16 originating shipments handled by the airlines -- and if you
17 arrive at your percentage, 3.12, by taking the proportion of
18 the shipments delivered, the 45.16, to the terminating
19 shipments in your survey, the 144,824, I would assume that you
20 would arrive at the total, aggregate for the two, by applying
21 the 11,652 to the total of 144,893 and 144,824, which, if my
22 pencil is right, is 289,717. Is that correct?

23 A Yes. Yes.

24 Q If you do that, isn't the percentage figure that
25 you arrive at slightly over 4 percent, rather than slightly

dw 6
1 over 8 percent?

2 A Yes, but you are speaking of something else. You
3 are talking there about percentage of originations plus
4 terminations, and what I am saying here is that 8 percent of
5 all shipments were either handled by the airline from the
6 consignor or to the consignee. I assume there are very few
7 shipments that go from one small town to another, because we
8 know from the traffic patterns that air express goes from
9 New York to small towns and from small towns to New York.

10 So the chances are that a shipment that was
11 originated in a small town directly from a consignee did not
12 terminate in a small town -- I mean, originated directly from
13 a consignor, did not terminate in a small town directly to
14 a consignee. These were probably two different shipments and
15 the sum total of these is 8 percent of all your shipments were
16 either handled by the airline from the consignor or by the
17 airline to the consignee. We had the problem of handling
18 the monies or preparing the waybills, getting the signatures,
19 everything else that REA does normally.

20 Q Well, in order to add your percentage and arrive
21 at an 8. something percentage, I take it that would be
22 8.04, by the way, not 8.03 --

23 A That would be rounding probably there, probably.
24 I divided the 11,652.

25 Q All right. The -- in order to add your percentage,

7
1 you are, in effect, changing your premise, aren't you? You
2 are not asking what was the proportion of shipments that the
3 airlines handled at one or the other end, relative to the total
4 universe survey, universe of shipments that they could have
5 handled at one or the other end, you are simply adding the
6 2 percentages together?

7 A I am talking about the percent of the shipments
8 and if REA had prepared a rebuttal exhibit which said we had
9 289,717 handlings and the airlines only had 4 percent of
10 these. double counting the origins and terminations, I
11 wouldn't disagree with it, that is a perfectly valid way of
12 looking at it and it is a perfectly valid way of looking at
13 it.

14 EXAMINER KEITH: At this time let's take a 15
15 minute recess.

16 (Recess.)
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25

end #5

#3914

sw-1

1 Q Do you know of any instance where anything of this
2 magnitude has been done for the forwarders?

3 A Not of this magnitude, but there have been instances
4 in the past where the airlines have extended credit to freight
5 forwarders, certainly, and beyond the normal terms.

6 Q In your rebuttal testimony, I think it is on page
7 three, you refer in the last sentence of the first paragraph
8 on that page to eliminating certain competition.

9 A I am sorry, I must be on the wrong page.

10 Q Page three of RT-2.

11 A Which paragraph? First paragraph?

12 Q Yes, the ifrst paragraph, last sentence.

13 A Okay.

14 Q You refer to the elimination of certain competition.
15 Would you clarify for us what competition it is you are
16 referring to at that point?

17 A I am referring to competition between air express
18 and the air freight forwarders.

19 Q Could you be a little more precise? Where in your
20 view does this competition exist? Let me be more specific.

21 Is it in the major markets only?

22 A Not entirely in major markets only, particularly
23 since the forwarders have gotten this extended surface
24 authority and are going further and further into the hinter-
25 land, but it is primarily in major markets because this is

sw-5

1 EXAMINER KEITH: Read it back, please.

2 (The reporter read the record as requested.)

3 BY MR. MEISER:

4 Q I do not think you really answered the question. I
5 certainly do not want to get into air freight investigations.

6 What I want to do is find out what it is about air
7 express that allows you to engage in these activities and
8 this method of operations, which in turn, presumably, in your
9 line of reasoning, lowers your costs so substantially for air
10 express that you can then charge in your view less for an
11 air express shipment, a small air express shipment, than
12 you need to charge for an air freight shipment.

13 All I am asking for is the difference between those
14 two types of traffic that justify a difference in your costs
15 and ultimately in what you have to charge?

16 A Well, in the first place, there are some economics
17 of scale in this business, in the accounting and documentation
18 and handling side. UP's certainly has lower cost's than a
19 small air freight forwarder with two or three offices. That is
20 as far as UP costs are concerned. Their costs of accounting
21 per shipment are lower. Their costs of buying insurance are
22 lower. The cost of handling the shipment through a terminal
23 goes down, generally speaking, with the volume that you are
24 handling, if you have a relatively efficient operation.

25 Now, a large part of air express costs are pickup

sw-6 1 and delivery costs. That 23 shipments a day in the small
2 town that are picked up or delivered that Mr. Mathews was
3 cross-examining about, these are air express shipments, and
4 it is cheaper to pick them up and deliver them with one truck
5 than it would be if there were three or four vehicles handling
6 the service at that town.

7 Probably, at Rockford, Illinois, there must be five
8 different trucks serving Rockford, maybe ten, every day for
9 air freight. There is probably an ACI truck out there for
10 Ozark's local contractor, there is probably truckers, over-the-
11 road truckers who have agreements with various forwarders and
12 they are probably fracturing up the business substantially,
13 whereas at least the truck that handles all the air express
14 in that town is getting an efficient utilization.

15 I think probably the efficient utilization of the
16 ground equipment as well as the overall lower administrative
17 costs with air express are a reason why this is a lower cost
18 service on the small shipments than air freight is.

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* * *

1 each of the airlines participating?

2 THE WITNESS: That is correct.

3 EXAMINER KEITH: And 12866 is not the agreement
4 between the airlines and REA?

5 THE WITNESS: No, that is 17 -- I think there is
6 confusion.

7 MR. MEISER: My question to Mr. Eichner is limited
8 solely and exclusively to the agreement among the airlines,
9 and translated into --

10 EXAMINER KEITH: Your question, Mr. Meiser, as I
11 understand it, is why is it that the airlines could not have an
12 agreement such as 12866 which would be applicable to the
13 freight forwarders?

14 MR. MEISER: That's right. More specifically, the
15 costs and hence the price that must be charged --

16 EXAMINER KEITH: You are suggesting the same terms
17 that there would be a tariff --

18 MR. MEISER: That is basically my question. If the
19 airlines can do this for air express and this is so efficient
20 that they can afford to charge only \$2.40 for the minimum ship-
21 ment, why can't they do it for any other class of small shipment
22 cargo traffic?

23 EXAMINER KEITH: Are you suggesting under the same
24 conditions, though, that -- in other words, it be the airline
25 tariff and there not be a tariff by the freight forwarders?

1 Because it seems to me that there is a distinction.

2 MR. MEISER: Now you are getting over into, I believe
3 the other agreement and I don't think Mr. Eichner is addressing
4 himself here to that at all. All he is talking about here is
5 something that the airlines can do --

6 THE WITNESS: I think you have to think of how this
7 would be implemented, an agreement between --

8 BY MR. MEISER:

9 Q All right, let me give the assumptions, and that is
10 that the forwarders would -- or anybody else, perhaps a shipper,
11 a private shipper, would bring his own traffic in at one end
12 and pick it up and arrange to have it picked up at the other end,
13 why shouldn't he have -- what is different about his traffic
14 that requires a charge of a minimum air freight charge,
15 \$10, versus a charge of \$2.40 for air express? There is not
16 just the forwarder situation, it is air freight in general.

17 MR. BERNHARD: Mr. Examiner, there is no charge of
18 \$2.40. That is a misstatement. That is the airline's share of
19 the revenue. I think Mr. Meiser ought to correct his question.

20 MR. MEISER: I don't want to do that because in the
21 rate case --

22 EXAMINER KEITH: What I am having some difficulty
23 with is that we have REA on the one hand saying they need the
24 flexibility of the freight forwarders, they need to have their
25 own tariff. Now, I just want to relate these things so that

1 you compare them, and it seems to me the agreement that you refer
2 to here, 12866, is an agreement between the airlines themselves
3 to hire or utilize the services of REA. But that REA would
4 operated under the tariff that the airlines themselves would
5 file and not REA.

6 Now, I am wondering, if you say, Well, could the
7 freight forwarders be treated the same, the same way on rates and
8 all, if it would not require the same inflexibility that REA
9 contends that they are up against?

10 MR. MEISER: I think I have two comments on that.
11 One, in the rate case, the Board is considering the divisions or
12 the lawfulness of the divisions as if the airline division was
13 the price to be charged REA for the airline service and, on the
14 other hand, the REA division is the price to be charged the
15 public for their ground services, or -- in other words, we are
16 talking about two separate and distinct charges, here. I am
17 focusing for the present only on the airline charge for its
18 service, IET airline division, if you want to call it that, under
19 the present arrangement --

20 EXAMINER KEITH: What you are asking, is why couldn't
21 the airlines do what they do under 12866, apply to the freight
22 forwarders, only allow the freight forwarders to continue filing
23 their present tariff, but only at a lower rate, that rate which
24 would produce the same yield to the freight forwarders that it
25 does to REA?

1 MR. MEISER: Conceivably I think that would be a very
2 logical conclusion.

3 EXAMINER KEITH: Can you answer the question,
4 Mr. Eichner?

5 THE WITNESS: I'll try. I haven't thought about it,
6 because I didn't see this as a proposal of the freight forward-
7 ers in the case. We considered their proposal of an alternate
8 service in the case, and I don't think that this was proposed
9 as such.

10 EXAMINER KEITH: I think -- isn't it within the
11 issues of this case that we continue the present concept, and
12 also that of an exclusive arrangement as well as expanding the
13 concept that would include all the freight forwarders, and I
14 assume that we also have the question of whether they should be
15 treated uniformly whatever way it goes. I don't know if you can
16 answer Mr. --

17 THE WITNESS: I think if I could restrict my answer
18 maybe to the exhibits we have in here, so we don't get off on
19 philosophical questions, well, for example, one reason that the
20 airlines can get a full rate of return with a division on an air
21 express minimum shipment, that would be, say, about 3-1/2,
22 which is what we have had in our proposed tariff, is the fact
23 that we are according this small shipment service to a single
24 location at an airport, under the agreement.

25 Now, the minute you start trying to provide

1 service we provide for air express to more than one location in
2 an airport, the cost of providing that non-capacity expense
3 goes up pretty sharply. I believe we have an exhibit in here,
4 PA-423, I am not sure whether I sponsor this or Mr. Campbell
5 does.

6 MR. BLUM: What was that reference?

7 THE WITNESS: PA-423.

8 If you'll turn to page 2 on 423 -- page 1 is just a
9 recap of our ground expenses in handling air express, that we
10 took out of the rate case -- all right, now, on the second page,
11 we took the traffic servicing expense that would vary as you
12 increase the number of agencies under the agreement. We said,
13 suppose -- Column 1 there is just one location where you pick up
14 air express, like the present airport express office at O'Hare.
15 Now, Column 2 says, okay, suppose there are two airport agents,
16 then we said, we estimate that the cost will go up from \$1.47 to
17 \$1.89, or roughly 29 percent. Then, suppose we say there are
18 three agents that we have to serve on the ground at a place like
19 O'Hare and provide the service that we do here today. Well,
20 according to this Exhibit, it would go up 57 -- it would go up
21 to 57 percent of what it costs with just one.

22 Now, these are assuming that, say -- take some of
23 your clients, Airborne and Airland, were the two additional
24 agents, so we would have three agents, Airborn, Airland, and
25 REA, all handling air express at the airport. Now, this assumes

1 that they are all on the airport. But suppose they have off-
2 airport locations, as most of your clients do have at Chicago,
3 and they are anywhere from 4 to 5 miles away from the airport.
4 There is no practical way that within the present cost structure
5 we can send people around to air freight forwarder offices to
6 pick up the shipments and take them to the plane.

7 Okay, this is one reason, I think, under the agree-
8 ment, that it is not practical to have more than one agent to
9 handle the small shipments at a given airport, and why one agent
10 at a given airport produces a more economical service than two,
11 three, or more agents would produce.

12 Now, is that the sort of answer that you had in mind,
13 Mr. Meiser?

14 BY MR. MEISER:

15 Q Well, if we can stop there for a moment --

16 EXAMINER KEITH: Let's stop there and have lunch and
17 come back at 2:00 o'clock, and you can pick up your next question.

18 MR. MEISER: Fine.

19 EXAMINER KEITH: We will recess until 2:00 o'clock.

20 (Whereupon, at 12:30 p.m., the hearing was recessed,
21 to reconvene at 2:00 p.m., this same day.)

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AFTERNOON SESSION

(2:00 p.m.)

EXAMINER KEITH: Come to order.

All right, Mr. Meiser.

Whereupon,

L. J. EICHNER

resumed the stand and, having been previously duly sworn, was examined and testified further as follows:

CROSS-EXAMINATION (Resumed.)

BY MR. MEISER:

Q Mr. Eichner, what was the exhibit number that we had before us when we recessed for lunch?

A I think you were on my direct testimony, page 3.

Q No, the exhibit that showed one agent, two agent, three agent.

EXAMINER KEITH: Four twenty-three, I believe.

THE WITNESS: Thank you, Mr. Examiner.

BY MR. MEISER:

Q Now, to pick up where we left off, your answer, to summarize it, was phrased in terms of if you had a number of agents involved you would have duplicate runner operations and duplicate pickup points, both on and off the airport, and this, therefore, would increase your cost substantially. I think this is --

A Yes.

mp2 1 Q This was your answer?

2 A Yes.

3 Q In AFFA's service proposal, IR-16, one of the ele-
4 ments of that, and I am reading from page 4 of IR-16, was that
5 -- and this was an invitation which was extended to the air-
6 lines -- that the airline air express tariffs as a means of
7 minimizing costs and hence rates for the service would contain
8 detailed rules concerning the functions to be performed by
9 forwarders and other shippers regarding flight close-out times,
10 pre-sorting by flight and destination, labeling, and other
11 documentation and tying together or containerization of pieces
12 moving to a common destination. Now, I am asking you to
13 consider not the example that you gave in your answer, but an
14 airline air express tariff that required -- reached by agree-
15 ment among the airlines which required that the traffic to be
16 tendered in air express service, irrespective of who tenders
17 it, be at a single focal point, and in a pre-sorted, labeled
18 manner, and ask you again, if that were done, what would be the
19 difference between that type of traffic tendered, say, by
20 multiple agents at a single point and the way air express is
21 operated now under 12866?

22 A Okay. First, I believe the question before the lunch
23 period was directed to what would be one of the problems in
24 having an agreement similar to 12866 with regard to small air-
25 freight shipments. And it was answered in that light. Second,

mp3 1 with regard to the freight forwarders getting together into a
2 pool, or a pool arrangement of some kind, to pool small freight
3 shipments, I would think that if it were possible for the
4 freight forwarders to work out a pooling arrangement of some
5 sort to handle small shipments so that the airlines would be
6 dealing with a single party and could have the economies in the
7 paper work that comes from dealing with a single party, that
8 this might be a way to save some of the losses that the airlines
9 appear to be having on small shipments of freight.

10 It would certainly -- in fact, I do not know how
11 air express could work as a ground priority service unless you
12 do have a single point at an airport to go to, so this part
13 of it is part of the answer.

14 Now, how you get to that single point, whether it is
15 through a freight forwarder pool or if it is through an agree-
16 ment like 12366 is something else again. I have not seen any
17 concrete proposals in this case that shows me how it would work.

18 The second part of the problem would be in the paper
19 work. I did not get into that in my answer before because we
20 were just talking about noncapacity costs, but as you know,
21 Mr. Meiser, an airfreight forwarding business is like a bank.
22 People think that a bank's problem is handling money. A bank's
23 problem is not handling money; it is handling paper, and a
24 freight forwarder's problem is not handling shipments and
25 pieces; it is handling paper. This is what costs you money in

mp4 1 the freight forwarding business.

2 Now, the big efficiency -- one of the big efficien-
3 cies that we have had as airlines with the air express business
4 over the years is that it has been an efficient way of handling
5 paper. And this is one of the things I had in mind before
6 when you asked me if REA was efficient. It is a low cost way
7 of handling paper. We only have one piece of paper and we only
8 have one accounting process and on all these interline ship-
9 ments we do not have the high cost of the paper work that is
10 shown in our exhibits, such as 109 and some of the other
11 exhibits that we have on airfreight.

12 Now, if you could -- you meaning the forwarders --
13 could work out a pool arrangement so the airlines were only
14 dealing with one piece of paper, so that there was not a problem
15 of each airline processing the forwarder's -- one forwarder's
16 paper for this part of the haul and another forwarder's paper
17 for this part of the haul, and having to bill the forwarders
18 separately, but only sending one bill to one point through one
19 entity, then there is no reason why you could not work it out.

20 The problem is that nobody has been able to show
21 us a solution which is as efficient as the air express paper
22 work solution that we have now.

23 Q Well, the airline documentation is a single document
24 for an air express shipment even though it moves between one or
25 more -- two or more airlines?

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1 A Correct.

2 Q Why couldn't that be done for any customer?

3 A Well, on a freight shipment that moves over two
4 airlines there is a single document. American Airlines ori-
5 ginates a shipment in New York that is going to Eugene, Oregon,
6 and it is transferred to Air West at San Francisco, and it
7 moves up there. So it is a single document in that sense of
8 the word, and the delivery contractor in Eugene works off the
9 same piece of paper. The Air West accounting department has a
10 copy of that piece of paper, the American Airlines accounting
11 department has a copy of that piece of paper. The originating
12 carrier, assuming it is a prepaid shipment, collects the money
13 for it; Air West sends a bill to American Airlines; American
14 Airlines sends a bill to the shipper. American Airlines sends
15 a clearing into the clearinghouse and Air West nets out its
16 balance -- no, the contractor bills ACI at Eugene, Oregon, the
17 contractor bills ACI for the pickup in New York -- all these
18 people are working off a single document but there are four
19 accounting departments involved in this shipment, plus the
20 airlines clearinghouse, five.

21 In an air express shipment making that same trip
22 from Queens to Eugene, Oregon, there is only one accounting
23 department and the only accounting involved by the airlines
24 is not accounting, it is a ton-mile report at the end of each
25 month to the express company saying how many ton-miles they

mp6 1 had that month; they get their advance payments off that, and
2 the centralized accounting setup we have in air express for all
3 these small air express shipments takes care of the division
4 of revenues under Agreement 12866.

5 Q All right. Now, I understand that is the way it
6 operates now, airfreight and air express?

7 A Right.

8 Q My question is, just looking at that phase of it,
9 the division of revenues as among the airlines, for example,
10 why couldn't that be equally done for airfreight?

11 A If we were dealing with a pool of airfreight for-
12 warders, that would be possible, if we had a single entity
13 to deal with. If your clients and Emery and SPAF and UPS
14 sitting around the room here got together, formed a single
15 entity, agreed upon how to divide the revenues among yourselves
16 so that we would have a single entity to deal with, and a single
17 document, there is no reason why it could not be done. Nobody
18 has proposed that in this case.

19 Q I do not understand why there has to be an agree-
20 ment among the parties tendering the traffic, or as you term
21 it, a pool on the other side. All we are focusing on here --
22 now you are getting over into 17935 again, and I would like to
23 just focus on 12866, which is the agreement among the airlines.

24 EXAMINER KEITH: Mr. Meiser, as I understand what the
25 witness is saying, that if the freight forwarders as a group

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1 were able to come up with something that would provide a single
2 agency to do the same thing that REA is doing, then he would --
3 it would be feasible. But he has not seen a proposal of that
4 type.

5 MR. MEISER: I am trying to --

6 EXAMINER KEITH: I infer from that that what he is
7 saying is that were it any other way, that the carriers would
8 have to deal individually with each freight forwarder, it would
9 involve a great deal more paper work which is more expensive.

10 MR. MEISER: One element of the air express arrange-
11 ment now is, as you indicated, one accounting function which is
12 based on a formula and on ton-mile reports, as I understand it;
13 is that right?

14 EXAMINER KEITH: As I understand, he explained how a
15 shipment would go to this point on the Pacific coast, and if it
16 went via some other means other than air express, it would
17 involve a number of accounting jobs, and I assume this is what
18 he is saying would happen in case of the freight forwarders doing
19 it. In the case of REA there is just one single thing, REA
20 does all the work, and this is where it is simpler for the
21 airlines to do it the way they are doing it.

22 MR. MEISER: I submit that --

23 THE WITNESS: And cheaper, Mr. Examiner.

24 EXAMINER KEITH: I just want you all to have a
25 meeting of the minds.

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1 BY MR. MEISER:

2 Q Now, as far as the airlines are concerned, isn't
3 the reason in the case of air express that there is a single
4 accounting function, that there is an agreement that there can
5 be a single accounting function as between the airlines?

6 A Yes.

7 Q Why couldn't there be the same type of an agreement
8 with respect to handling airfreight, instead of doing it on
9 the basis of two local tariffs which generate the additional
10 paperwork that you have talked about, why couldn't there be an
11 agreement similar to the air express agreement for dividing the
12 revenues up between the airlines for airfreight?

13 A Well, theoretically, I don't see any reason why
14 there couldn't be such an agreement, but I don't think the
15 airlines would be the ones to propose -- I don't think it is
16 the responsibility of the airlines or possibility that the
17 airlines collectively, I will say to the forwarder, all of your
18 should merge into a single organization for handling small
19 shipments.

20 You should adopt a single tariff for handling small
21 shipments; you should adopt a single accounting identity for
22 small shipments, or to take another alternative; we don't think
23 that all of you freight forwarders should get together and
24 let REA handle your accounting for small freight shipments.

25 That would be a possibility. I don't think this is

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1 the airlines' job. I think if the freight forwarders want to
2 get together and come to the airlines and say, look, we've
3 put together an organization that can handle small freight
4 shipments as cheaply as air express can, as railway express
5 can, will you do business with us, that is a different question
6 entirely but nothing like that has been proposed in this case.

7 Q Let's go back then for a moment to the multiple
8 agent concept. In your earlier answer, you indicated one of
9 the problems was that the airlines would have to be running
10 all over, both on the airport, off the airport, picking up
11 multiple agents.

12 This would increase your cost. Isn't it a fact
13 that in IR-16, and in the very language I read to you, that
14 the forwarders have proposed eliminating that runner function
15 entirely, and if that is the case, what is the reason why you
16 cannot require that airfreight be tendered to you in the same
17 form as air express is today.

18 And, in fact, you would be better off, because the
19 runner function had been eliminated. And by tendered, I mean
20 at one point in the form which you want.

21 A The forwarders did propose that the runner function
22 be eliminated in the handling of air express shipments. Now,
23 the shipments still have to get to the airplanes, eliminating
24 the runners by the airlines doesn't eliminate the necessity
25 of getting the shipments from the air express office or the

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1 centralized Airfreight Forwarders Association pool office to
2 the airplanes.

3 What the forwarders proposed was that each forwarder
4 should bring this expedited traffic to plane side, on the
5 operating area of the airport, and in my rebuttal testimony,
6 page 20, I discussed at some length how this might work, because
7 we were trying to figure out if it would be a workable
8 solution to the problem of us having runners.

9 And as we read the AFFA exhibit, IR-16 and AFFA-900,
10 which outlined the way the Freight Forwarders Association
11 proposed to operate air express, 900 didn't include a pool
12 truck, it included each freight forwarder's sending out this
13 high expedited traffic, directly to the plane side.

14 And we saw a large number of different trucks which
15 did not belong to the airlines or to the port authority coming
16 out on the apron and we saw sorting taking place right in the
17 bellies of the planes; we saw security problems, and we foresaw
18 a great many difficulties with it. We didn't foresee a workable
19 solution.

20 Q Mr. Eichner, would you draw your attention to page 4
21 of IR-16, paragraphed numbered "1," and answer for me whether
22 the forwarder proposal contemplates solely a tendering of
23 traffic at plane side or is there something more in there?

24 A Paragraph 1 reads, "The service would be based on
25 individually published airline 'air express' tariffs subject

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1 to usual Board review available to forwarders and individual
2 shippers, for delivery of the shipment by the forwarder, or
3 the shipper plane side or to the airline specified terminal."

4 All right, now in PA-RT, page 20, I have dealt with
5 the plane side problem.

6 Q Would you now deal --

7 A I also dealt with the shipper delivering to the
8 gate of the airline which was an alternate suggestion which you
9 had in AFFA-900, do you recall that?

10 Q Well, it is here, also.

11 A Okay. It is also in this exhibit. And I talked
12 about the difficulty that you have with that, with the shippers
13 bringing shipments to the gates where the passenger planes
14 are lined up.

15 Now, this is the third one, the airline specified
16 terminal. But if you deliver it to an airline specified
17 terminal, then you do not have a savings in runners, which is
18 one of the savings that you postulated in AFFA-900, because
19 then the airlines still have to run it from the airlines'
20 specified terminal where all the forwarders bring it to the
21 plane site, just as we do right now, so the argument of the
22 forwarders that you save on runners is eliminated completely.

23 Q You would not consider a single position for
24 tendering air express for any flight as being an airline
25 specified terminal? In other words, at some point your runner

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1 has to come back and he has a traffic in the form that he now
2 has it; he has to come back to a gate now, does he not, or an
3 apron position?

4 A Yes.

5 Q Why could you not, by agreement, require that the
6 forwarders present that same traffic to you in the same form
7 at the gate or at the baggage counter or at a special area in
8 the passenger terminal or wherever, in the parking lot, and,
9 if so, would there be any basis for treating it any differently
10 than you now treat air express?

11 A Yes, there would be a basis for treating it different
12 than you now treat air express. As I understand what you are
13 proposing, it is that at the present air express office, to
14 take an example, at an airport like O'Hare, instead of the air
15 express runner from United Air Lines picking up air express
16 from the REA person, making it out on an AES-56, making out one
17 manifest, he would pick up air express 45 minutes before
18 flight time, the O'Hare closeout, from the REA agent, from the
19 Emery agent, from the Airborne agent, from the NOVO agent,
20 from a whole series of agents.

21 Is this correct?

22 Q No. That is not correct. What is one possibility
23 under the forwarder proposal is to have the same baggage train
24 parked at a convenient area at the passenger terminal and all
25 you do is come up with tariff rules requiring presorting and

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1 requiring the forwarders and the public in general to put it
2 in the right bin, ready to -- ready for your people to drive onto
3 the ramp in exactly the same form as you now get it from REA,
4 and leave it up to the forwarders to work it out to make sure
5 they get it in the right bin, and presorted, and properly with
6 the right labels on it, whatever you specify in your tariff
7 that you need.

8 A In short, what you have just outlined here does not
9 sound very practical to me; it doesn't sound very secure to
10 me, it doesn't make much sense, and I don't think it has been
11 completely thought out, Mr. Meiser, by whoever put this plan
12 together.

13 You have to give receipts to somebody for shipments.
14 There has to be somebody there receipting for it. I can
15 see the United Air Lines' man giving a receipt, to whom? He
16 has a big bin of traffic here, the bin is assembled from Emery,
17 from UPS, from SPAF, from Airborne, from NOVO, and he gives the
18 receipt to whom, or isn't the traffic receipted for? Are these
19 valuable shipments which are a large portion of our present air
20 express traffic, are they to move completely unreceipted? Is
21 there to be nobody in charge; is there to be nobody who is
22 responsible for seeing that the Chicago shipment is in the New
23 York bin and straightening the thing out?

24 Is there to be nobody there who actually deals
25 with the public and makes out a waybill for the public shipper

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1 who comes to the airport, roughly 40 percent of our traffic
2 at the present time, and who fills the waybill out, collects
3 the money, and puts it in the right bin for the public shipper?

4 No, sir, I don't think that is a practical suggestion.

5 Q Well, is it your position, in summary then, -- well,
6 let me conclude with this question. If it were demonstrated
7 to be practical to solve those problems that you mentioned and
8 to present airfreight to you in the same form that you now get
9 it as the runner drives on to the passenger apron, from that
10 point on, would you agree with me that there is no basis, from
11 that point on, in treating air express and airfreight any
12 differently.

13 MR. KEENAN: Mr. Examiner, I don't object to
14 hypothetical questions as such, but when the premise of the
15 hypothesis is clearly contrary to all the evidence in the
16 record, I do object to it.

17 I wouldn't be -- the answer to a question like that
18 could not be anything but misleading.

19 Mr. Meiser has said, assuming that all of the
20 difficulties you say exist don't exist and there is not a
21 scintilla of evidence that they don't exist, then couldn't you
22 go ahead and do such and so.

23 The Board couldn't possibly be helped by an answer
24 to that question; it is incompetent.

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1 EXAMINER KEITH: Well, I don't think it has much
2 probative value, but if Mr. Eichner -- I am sure he is
3 capable of answering your question.

4 I don't know what the forwarders will do so far
5 as presenting a witness that might comment on Mr. Eichner's
6 criticisms of what Mr. Meiser has suggested.

7 I assume what Mr. Meiser has suggested is something
8 that is in the Freight Forwarders' Exhibits and not something
9 that he is just presenting now, because I certainly don't
10 intend to allow you to come up with something new right here
11 so that we continue this hearing ad infinitum.

12 MR. MEISER: Contrary to the contention that
13 was made, this proposal -- there is a foundation for this
14 question in our proposal.

15 EXAMINER KEITH: All right, go ahead, if you
16 can answer it, Mr. Eichner.

17 Do you have the question in mind?

18 THE WITNESS: I have the question in mind, but
19 before I would answer that hypothetical question, I would
20 like to make it clear that I have not found such a proposal
21 in the Air Freight Forwarders' exhibits, because I found a
22 great deal of practical difficulty with the proposals put
23 forth in the Air Freight Forwarders Association exhibits,
24 from a practical working standpoint, because under their
25 proposal, these difficulties were not eliminated.

2
1 Now, assuming that they could come up with a new
2 proposal that would eliminate all of these difficulties,
3 then I gathered from what Mr. deVoursney was saying yesterday,
4 the airlines would be glad to examine this new proposal as an
5 alternative to an economical solution to the small shipment
6 problem, to Air Express.

7 BY MR. MEISER:

8 Q And then at that point, we would be back to PA-423,
9 page 2, column 1, would we not?

10 A Right. And to handle small shipments economically,
11 you have to get to PAQ423, column 1, you have to have a single
12 point at the airport where these small shipments are assembled
13 and collected.

14 MR. MEISER: Mr. Examiner, I think we have
15 reached the point where I have outrun my knowledge and I will
16 defer and pick up later, if I may.

17 EXAMINER KEITH: All right.

18 Mr. Ryan?

19 THE WITNESS: Mr. Examiner, could I read into the
20 record those numbers that Mr. Meiser asked for before? Would
21 you want those now?

22 EXAMINER KEITH: All right.

23 MR. MEISER: Certainly, I would be glad to have
24 it.

25 THE WITNESS: This was in connection with PA-304,

3

1 the airline survey of flights which were fully loaded.

2 There were 650 flights shown for the seven airlines
3 who participated in the survey for the single week of March
4 -- in March, 1971.

5 In the survey forms themselves, there were 589
6 flights shown, which went out fully loaded as far as space
7 capacity was involved.

8 There were 102 entries in the weight limit
9 column. This is a total of 589 plus 102, of 691. Approximately
10 six times as many flights for space limited as for weight
11 limited.

12 The 691 total compares with the 650 entries shown
13 in the exhibits, so some 41 entries were deemed to be
14 duplicate entries under those rules of thumb which Mr.
15 Campbell was talking about.

16 Examining the forms myself, the most common thing
17 I saw was a flight which checked under -- well, I will give you
18 an example.

19 Continental, I believe, in that first entry that
20 Mr. Ryan referred to, had the flight listed under space limit,
21 under weight limit, and over under the far right-hand column
22 instead of putting the flight number down, the station manager
23 wrote one. It was obvious he had a flight there that was
24 both space limited and weight limited, it was just one flight,
25 he was making it clear we understood what it was even though

mp4 1 the only way you can have an air service, an economical, small
2 shipment service to all these points, is by having a service
3 similar to what the airlines have under the agreement, 12866,
4 wherein the shipments are combined for maximum economy of
5 handling.

6 Q Well, let us suppose that Delta's notice of with-
7 drawal becomes effective five months from now as will happen
8 unless something intervenes. Is that going to destroy small
9 package shipments in America?

10 A No, but it is just like the old man and his son with
11 the bundle of sticks, it will weaken the bundle of sticks and
12 I suppose if two or three or four other airlines withdraw,
13 then it would destroy it and we would no longer have air express
14 as we know it.

15 Q Could we go now to your rebuttal testimony, please.
16 Would you look at page 3 of that testimony, please, PA-RT-2,
17 that is, page 3. In your fourth paragraph you say "In air
18 freight, on the other hand, the airlines perform services, such
19 as accounting, billing, lot labeling, warehousing, or con-
20 tainerization, which are not customarily performed by the
21 airlines for Air Express." In the event of an airfreight
22 forwarder shipment, aren't both of those things performed by
23 the airfreight forwarder?

24 A Well, in the event of many airfreight forwarder
25 shipments, they are performed twice. They are performed by

mp5 1 the airline freight forwarder, such as warehousing and con-
2 tainerization in the event of a bulk shipment that was tendered
3 to the airline. In the event that the forwarder tenders a
4 Type A container, you still have duplicate accounting and
5 billing. The forwarder bills the customer, and the airline
6 bills the indirect air carrier.

7 Q In the next paragraph you say that airfreight is
8 usually transported on all-cargo aircraft, whereas 80 percent
9 of it, of air express, is moved on passenger aircraft. Would
10 you look at your exhibit PA-126?

11 A Yes.

12 MR. RYAN: Off the record.

13 (Discussion off the record.)

14 EXAMINER KEITH: On the record.

15 BY MR. RYAN:

16 Q Doesn't this exhibit disprove what you have just
17 said in this testimony?

18 A No, sir. It confirms it. In the right-hand column
19 it shows that the percent of revenue ton-miles of airfreight
20 via all-cargo was 55.9 percent.

21 Q Well, on the left-hand side it shows that only 48
22 percent of revenue is from all-cargo service.

23 EXAMINER KEITH: I would not spend too much time on
24 this, Mr. Ryan. This is something you can argue on brief.

* * *

SW-1

1 BY MR. MEISER:

2 Q Mr. Eichner, you testified in response to cross-
3 examination by Mr. Blum that there were -- you had a list in
4 front of you, I think -- five essentials which you considered
5 necessary from the airline standpoint, to an air express
6 system?

7 A Excuse me, I had written down the five elements
8 that he had postulated in his question so I make sure I got
9 his question right. These were elements that he was postulating.

10 Q Do you accept those or not?

11 MR. BERNHARD: For what purpose, MR. Meiser?

12 MR. MEISER: As the essential elements to an air
13 express system as far as the airlines are concerned?

14 THE WITNESS: I think these five are essential to
15 a low cost small shipment service, but I do not think these are
16 exclusive. There are many others.

17 BY MR. MEISER:

18 Q Let me get at it another way. Assume a forwarder's
19 shipment or -- or a situation where a forwarder, as he does
20 today in some cases, uses air express service on a counter-to-
21 counter basis?

22 A Yes.

23 Q Are all of the requirements that you deem essential
24 to an air express system met as far as the airlines are
25 concerned when that traffic comes to you and goes through the

SW-2 1 system?

2 A Yes, that is no problem at all. That is simply
3 a rate question.

4 Q The next question is, then, the forwarder -- and this
5 is preliminary to my real question -- the forwarder in that
6 instance pays, does he not, even though he is performing the
7 pickup and delivery, he pays a pickup and delivery charge,
8 even though the shipment is counter-to-counter?

9 A No, he pays the same rate as any other customer
10 who might require pickup and delivery, and pickup and delivery
11 costs go into determining the charge that he pays.

12 They are spread over the total number of shipments.

13 Q He pays the same door-to-door rate that anybody
14 else pays?

15 A Right.

16 Q My question is, as an expert in air express
17 economics, could you recommend that the airlines favorably
18 consider an airport-to-airport express rate utilizing REA or
19 any other agency whom the airlines might designate to perform
20 the same functions which REA now performs in the forwarder
21 shipment that I have specified, and to clarify that further,
22 this would be -- this would therefore exclude any element of
23 pickup and delivery or anything else that REA may do beyond what
24 they do now for a forwarder?

25 A Well, there are two parts to the question, Mr.

SW-3 1 Meiser. First, with regard -- let's assume that you are
2 asking about my opinion on an airport-to-airport rate, with
3 the present setup we have now, with the REA as the ground
4 handling agency. And I would see no inherent reason why the
5 air express could not have a tariff which existed of an
6 airport-to-airport rate, which is somewhat lower than the
7 proposed cost oriented tariff we have in the rates case, and
8 a door-to-door rate which is somewhat higher, because if we
9 are going to spread the pickup and delivery over two-thirds
10 of the shipments instead of 100 percent of the shipments, then
11 the pickup and delivery tariff will have to be higher than the
12 present tariff.

13 So, there is no reason you could not have two air
14 express tariffs inherently with the present setup.

15 Then, the second part of your question, as I
16 understand it, REA or any other agent, and I was not sure
17 whether you said, "and any other agent or "or any other agent."
18 If you have lower costs, if you have --

19 Q It was "or," one agent.

20 A Or, one agent, yes.

21 Q One final question, then, to clarify. This airport-
22 to-airport express tariff, and the charge that would
23 contemplate, would be something different, would it not, from
24 the minimum charge for an air freight shipment that you
25 referred to earlier?

SW-4

1 A Yes, this would be, because this is with a setup
2 similar to the present setup with a single entity and the
3 present single nationwide tariff, and so it could be a lower
4 cost tariff than where you are dealing with a multiply entity
5 and you have to charge the minimum air freight shipment,
6 plus some charge for the reservations service, the special
7 reservations service that has to be invented to handle this
8 multiple priorities.

9 MR. MEISER: That is all I have. Thank you.

10 EXAMINER KEITH: Mr. Bernhard, redirect?

11 MR. MATHEWS: I have a couple of questions, Mr.
12 Examiner. I do not know whether you want me to do them now,
13 before redirect?

14 EXAMINER KEITH: Yes. If these had be prompted --

15 MR. MATHEWS: By responses to cross-examination
16 subsequent to mine.

17 EXAMINER KEITH: Go ahead.

18 BY MR. MATHEWS:

19 Q Mr. Eichner, in your colloquy a few minutes ago with
20 Mr. Blum, you were discussing REA's consolidation program and
21 the closing of some of REA's offices. If you know, is not
22 it a fact that even -- despite that consolidation program, REA
23 still has many more offices around the country than any freight
24 forwarder?

25 A Well, yes, you have the number of officer that are

TESTIMONY OF MR. DRAVIS, REA

* * *

SW-9 1 has been some discussion, considerable discussion in this
2 record with respect to those points at which REA air express
3 has not an office at the airport, the question being in such
4 cases, the approximate amount of air express that the airlines
5 handle directly over the counter.

6 The airlines have an exhibit on this, for example,
7 that shows that eight percent, or Mr. Eichner said in a
8 colloquy with me that one could equally, validly view it as
9 four percent, of air express is handled by the airlines
10 directly.

11 From your experience in the business, have you any
12 comment on the approximate amount of air express that is
13 handled in that fashion?

14 A. Well, my experience, without making an actual check,
15 would indicate that even four percent is high, and I relate
16 this to the figures I do know, namely that at our 35 exclusive
17 airport cities, there are some 50 percent of the shipments that
18 are handled. At 69 cities, which includes the 35 plus the
19 others, where we are represented at the airport, we are now
20 up to in excess of 60 percent of our business.

21 Relating the total shipment count of eight million
22 to four percent, this would indicate that the airlines would
23 have handled 320,000 shipments a year for us over the counter.

24 Knowing that we do have representatives at all of
25 the airport cities, realize that our trucks do go there each

* * *

1 A Yes.

2 Q Are there any other aspects of the priority of
3 air express that you believe are important?

4 A Well, I just can't emphasize enough the importance
5 that priority has played throughout the years, and, even with
6 the reduction of flights that is occurring today, it will
7 continue to play.

8 Q There was some suggestion earlier in this record
9 that people are very likely to put an airmail stamp on an
10 envelope even though it might be that with the surface stamp,
11 the letter would still go airmail. In other words, there is
12 an insurance aspect of putting an airmail stamp on a letter.

13 Is there any analogy in the field of air express?

14 A We certainly accept it as an insurance policy.
15 The contract provides for it, the airlines accept it, and in
16 this light, the public knows it. It is the greatest thing
17 that we have to define air express, the priority. It is
18 important.

19 Q Do you have a copy of the Emery rebuttal exhibits
20 with you?

21 A Yes, I do.

22 Q Would you look at EAF-RT-5, please, the rebuttal
23 testimony of James J. Doyle.

24 A Yes, sir.

25 Q That testimony, as I assume you know, chronicles

NB-8

1 Remember that is a joint venture of the airlines and
2 REA. They have an obligation and they provide it.

3 EXAMINER KEITH: In determining your fixed costs,
4 then, there is no costs at all for those offices at those points?

5 THE WITNESS: That is correct.

6 There is no rent costs. We have tripper costs, and
7 all other costs are still there.

8 MR. MATTHEWS: I think Mr. Dravis said, though,
9 less the 69, didn't you?

10 EXAMINER KEITH: Yes.

11 THE WITNESS: That is correct.

12 MR. MATTHEWS: In other words, you pay rent at 69,
13 but not at the rest of the 500, odd. Is that right?

14 THE WITNESS: May I also state that this varies, day
15 by day. These leases come up and go down. As of this comple-
16 tion it was exactly 69 and we have to have a stopping point.

17 We lease places every single day, and our leases
18 terminate every day.

19 EXAMINER KEITH: Mr. Dravis, your counsel just sug-
20 gested it was 550 less the 69. That 69 you have leased space,
21 at the balance you have rent free areas?

22 THE WITNESS: Right.

23 MR. RYAN: Where are you getting this 69 figure?

24 I focuse on your 37 exclusive air express offices, at 37 airports.
25 and then 38 airport offices --

NB-9

1 EXAMINER KEITH: At the bottom of page 2 of 103, it
2 says "there are 32 additional airport offices." I add 37 and
3 32 and I get 69.

4 MR. RYAN: Right.

5 THE WITNESS: You understand the two, of course,
6 are Dulles-National, La Guardia-J.F.K.

7 MR. RYAN: Yes, sir.

8 BY MR. RYAN:

9 Q So that at Akron, for example, you pay your own rent?

10 A Yes, sir, we have a lease.

11 MR. RYAN: Should I be deferring questions with re-
12 gard to the curtailment of offices in Wisconsin to another
13 witness?

14 MR. MATTHEWS: I would save those for Mr. Kerrigan,
15 too.

16 MR. RYAN: Should I simply defer questions as to how
17 many more offices it may be intended will be closed?

18 MR. MATTHEWS: Yes. Although as a general proposition
19 as a matter of company policy, you can address that kind of
20 question to Tom Kole?

#4 3916

21 MR. RYAN: Yes.

22

23

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BY MR. RYAN:

2 Q Your testimony, please, T-2.

3 On page 2 of your testimony, you say REA Air
4 Express is organized in such a way that air express shipments
5 are picked up and delivered from shipper to consignee, et
6 cetera.

7 In your experience, what percent of your shipments
8 are not picked up, but rather brought in by the customer, and
9 are not delivered, but rather picked up by the customer, and
10 so on?

11 A A recent study that I conducted, indicated that we
12 have about 21 percent that does not see an REA truck.

13 Q And in the next sentence on that page, you make
14 something of the fact that "our air express shipments are
15 not consolidated, and thus are not held for consolidation."

16 I believe I could characterize it correctly by
17 saying that yesterday, or Friday, another witness for REA
18 said he believed that REA should have the right to consolidate
19 express shipments.

20 Do you agree that that is a proper goal for REA?

21 MR. MATHEWS: I think that the witness also said, in
22 answer to a question on redirect, providing this did not
23 significantly delay the service, Mr. Examiner.

24 I think counsel said you agreed it was a matter
25 of discretion.

1 for the total.

2 EXAMINER KEITH: Off the record.

3 (Discussion off the record.)

4 EXAMINER KEITH: On the record.

5 BY MR. RYAN:

6 Q On page 5 you say REA places the shipment on the
7 cart air-marked for the flight to which the shipment is to be
8 transferred.

9 Now, is it a fact that there is a cart for each flight?

10 A This is not an aerial cart, in most cases, sir. This
11 is our own. And yes, we do use mobile trucks; we call them
12 Mercury trucks, rental trucks. It is a mobile cart, truck,
13 as you may wish to describe it. The cart is designated for a
14 flight, there is a flagboard placed on the end declaring
15 "airline so and so," "Flight so and so," and when the airline
16 employee comes in to claim the air express, he says "I want
17 it for a certain flight," he says "there is a cart, take it and
18 go." He loads his own.

19 Q He may take several carts for several flights on that
20 same airline?

21 A Not very often, sir. Only a few times a day this is
22 done, such as 5:00 o'clock in the morning. Basically they pick
23 up only one or two flights maximum during the normal workday.

LEE #7

cr3916 mml

1 Q Now, in your direct examination this morning, you
2 commented, I believe, that in the case of a number of shipments --
3 well, most shipments, or all which are not picked up by the
4 consignee, the freight is taken to the air express office and
5 then sorted and then goes off to the consignee thereafter.

6 You said also, that where REA does not maintain a
7 facility at the airport, that function is done at its town office,
8 if you will.

9 Is that correct?

10 A It is done at the city terminal, or it can be
11 performed by the driver doing his paperwork at the airport in
12 the airlines office, loading it on the truck and making delivery
13 right from there.

14 It varies by city.

15 Q Well, now are town offices or city offices, as you
16 say, apt to be in the center of the city?

17 A No, sir.

18 Q Where are they apt to be?

19 A Usually in the industrial park, in any trucking
20 terminal area. They are moving. They used to be in railroad
21 stations. We are now finding locations more adaptable to
22 tractor-trailer operations.

23 Q But they are not necessarily or even often at the
24 airport, I suppose?

25 A No. But we are leading towards this.

mm3 1 It does two things. Prices for us, and it does
2 the Chicago forwarding information.

3 Q It does not do tracing?

4 A We do very little tracing. We provide forwarding
5 information.

6 Q We have found that.

7 A Okay. Then under a different situation. BASically
8 you are providing forwarding information.

9 Q I believe also this morning that you said REA
10 performs all of the work on collection claims and so forth,
11 which the forwarders do not.

12 Did you say that?

13 A Yes, sir.

14 Q Beg your pardon?

15 A Yes, sir, for the airlines, that is.

16 We perform all of the work for the claims. The
17 airline is not responsible for this area of work. The forwarder
18 does some.

19 Of course, you have to turn around and file a claim
20 with the airline then, so they do have an involvement with a
21 forwarder when a claim is involved, or could have, that they
22 don't have with air express.

23 Q YOU do know that forwarders do collections, do you
24 not?

25 A Collect accounts receivable?

1 the group of bills, you will find that happen.

2 Q Also, if you took some secondary points, you
3 are liable to run into traffic which is from a secondary point
4 to a secondary point, is that correct, sir?

5 A Yes, sir.

6 Q In your normal experience, based upon air experience
7 with air express, would it not be a fair conclusion that in
8 general, traffic moving on air express from one secondary point
9 to another secondary point, would take longer from origin to
10 destination than air express traffic moving from a secondary
11 point to a major point, or from a major point to a major point?

12 A That all depends upon the time of day of receipt,
13 because almost every secondary point has to be reached through
14 one of the 35 cities.

15 You could have a direct flight between Charlottesville
16 and Lynchburg, okay, on Piedmont. But, if you had a shipment
17 going north out of Charlottesville, it has to go through
18 Washington, so in almost every instance of this kind,
19 this occurs. That is why the 35 cities have been selected.
20 They control the transfer of the country.

21 Q Your answer to the question would be yes, it
22 would normally take longer?

23 A It could be, depending upon the time of day.

24 If I got it at 1, the airplane goes out at 3. I
25 will have it to the major cities at 4 and at the destination in

mm9 1 a matter of a few hours.

2 Q Assuming traffic received in the same time of day at
3 a secondary point and at a major point, would it not be a
4 fair conclusion to state that the -- where it was going
5 to the same destination, that the traffic of origin at the
6 secondary point would take longer --

7 A Whatever the flying time is.

8 Q -- than would the major traffic?

9 A Depending upon the flying time.

10 You would have to add on the flying time, at least,
11 yes.

12 Q You would have to add on also at Charlottesville,
13 for example, surface transportation from Charlottesville to
14 Washington?

15 A No, sir, we fly on Piedmont, Charlottesville-
16 Washington.

17 Q Or the air transit time from Charlottesville --

18 A Air transit time, that is what I have to add on,
19 yes sir.

20 EXAMINER KEITH: Or surface transit time, depending
21 if it is some other secondary point?

22 THE WITNESS: I have those in there. That is why
23 I am trying to point those out.

24 There are those originating shipments that are
25 destined, that have the surface and air, and if you look at

mm10 1 those bills, you will find them.

2 Chambersburg, Pennsylvania --

€ #7 3

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CAB

DK

1 BY MR. HAFFER:

2 Q But there are no shipments in here destined to
3 secondary points?

4 A No, sir.

5 MR. MATHEWS: I think the witness was still in the
6 process of completing his prior answer, Mr. Examiner.

7 EXAMINER KEITH: I wasn't aware of that.

8 THE WITNESS: I was just going to point out
9 Chambersburg, Pennsylvania, is off-line. There is a bill there,
10 going to Indianapolis. It had the truck move, the air move,
11 plus the transfer. It went from Chambersburg to Harrisburg
12 by truck, Pittsburgh to Indianapolis by plane -- here is
13 your in transit time.

14 BY MR. HAFFER:

15 Q Now, I understand from your direct testimony and
16 also from cross examination, briefly, by Mr. Ryan, on these
17 delivery receipts, that your elapsed time referred to in your
18 summary of your survey included with respect to shipments
19 where there was no delivery at destination and where the
20 consignee picked up the shipments, that your summary gave as
21 the time for delivery one hour following the arrival of the
22 flight at the destination airport; is that correct?

23 A Yes, sir.

24 Q Now, the survey also included, did it not,
25 shipments which were not picked up by the air express driver

1 handlings involving air express shipments, is that correct?

2 A Yes.

3 Q Were those 35 airport field offices, would they be
4 the field offices with respect to which your survey in Exhibit 391
5 was conducted?

6 A Yes, sir.

7 Q Would that show that -- does this Exhibit show that
8 it is your own estimate, that is, Mr. Cole's estimate, that 38.61
9 percent of those shipments received over-the-counter handling?

10 A Yes, sir.

11 Q How would this check with your statement that your
12 own figures show that 21 percent of your shipments received
13 either pick-up or delivery, either received no pick-up or no
14 delivery?

15 A This would reflect exactly 19.3 percent, under
16 Mr. Cole's study, because this was shipment handlings, meaning
17 the shipper would be counted at both ends -- shipment would be
18 counted at both ends. The same shipment may be counted twice
19 in reports similar to this, whereas mine was only a single count.
20 If I would have to double my count --

21 Q Would this 38.61 figure then relate to shipments
22 received at the 35 airport field offices on both origin and
23 destination?

24 A Yes, sir, Mr. Haffer, I think we have to stop and
25 consider what is a shipment. It is a single consignment from

ln7

1 the priority REA has accorded, both under the shipment
2 and in fact, in terms of its air express shipments.

3 I assume from your testimony that you regard that
4 as an important factor in REA service, is that correct?

5 A I do, sir.

6 Q Do you also regard it as an important marketing
7 factor in selling air express?

8 A Yes, it has been.

9 Q You feature that frequently in your advertisements
10 in the newspapers and other publications, do you not?

11 A Every chance I get.

12 Q Priority, you say, in terms of what you feature, is
13 something that the public has come to distinguish air express
14 from other modes of air transportation.

15 A People that are familiar with the product by all
16 means, they certainly know this.

17 Q You have the word priority in the triangle or
18 diamond in your ads.

19 A In the circle, yes.

20 Q You corrected, this morning, at the request of your
21 counsel, your Exhibit 201, page 2.

22 A Yes, sir.

23 Q You added "other" in between "most cases."

24 A Yes.

25 Q Now, referring you specifically to over-the-counter

CR-3916

#12

NB-1

1 Q Is that information normally forwarded to the dis-
2 tinction office in the absense of a request by the shipper for
3 information regarding what has happened to the shipment?

4 A No, it is not.

5 Q It is kept at the local office where the information
6 is compiled?

7 A At the terminal preparing the shipment for for-
8 warding, yes, sir.

9 Q Unless and until the shipper seeks some information,
10 it is not transmitted to the distinction office, is that correct?

11 A That is correct.

12 Q With regard to the delivery that you referred to at
13 all hours, on page 10 of 201, or the footnote, you mention
14 emergency shipments, which if the consignee is available,
15 will be delivered immediately. Are those the shipments which
16 you indicated would be made off hours?

17 A Yes, sir. I might tell you that in the city of
18 Washington, there is a midnight driver that averages more than
19 35 deliveries every night here in the city.

20 Q Is that true also of pickup shipments, are these
21 emergency shipments?

22 A If people have a need for it.

23 Q These are done on special request?

24 A Yes, sir. Not special request, just call me and tell
25 me that you have a shipment, and it becomes my job then to take

sw-5 1 purpose of your office consolidation program as being one of
2 improving the service, is that correct?

3 A Yes, sir.

4 Q To the public?

5 A Yes, sir.

6 Q Would it be fair to characterize the principle
7 involved in consolidation as consolidating the operations into
8 a regional type office and running feeder trucks out from the
9 hub to serve the hinterlands?

10 A That is correct, yes.

11 Q And it is your position that this can be done with
12 service at least equal to or superior to situations where
13 offices are maintained at small communities throughout the area?

14 A Yes, sir.

15 Q Okay.

16 Then I take it you would agree that the fact that an
17 air freight forwarder would operate out of a hub and run
18 feeder trucks to the hinterlands in no way implies that the
19 service to the hinterland is inferior to one which maintains --
20 to a service which has offices spread throughout the areas
21 served?

22 A They can provide the same service, it is just at a
23 much different rate.

24 Q Let's leave out the rates question.

25 EXAMINER KEITH: He said it can provide the same

* * *

[870]

1 Would it be acceptable to you if those rates for
2 each mileage and each weight bracket were based on the airlines
3 costs plus a fair return plus taxes as determined by the Civil
4 Aeronautics Board in Docket 22387.

5 A We have always said that we would expect to pay for
6 a linehaul cost in relationship to your costs and a reasonable
7 return.

8 However, it does not mean that you should price express
9 on a fully allocated basis, and airfreight forwarding on an
10 incremental or byproduct basis. That is where we get hung up.

11 Q Are you suggesting that not only should the airlines
12 publish an air express tariff for the exclusive benefit of
13 the express company, but should also publish it at rates below
14 their fully allocated costs?

15 A If that is what you are doing in airfreight
16 forwarding, yes. Why not?

17 Q I ask the questions.

18 A Okay, I am sorry.

19 Q If the tariff that the airlines published as an
20 exclusive air express tariff was structured in the way I
21 described, based on fully allocated costs, would REA be able
22 to continue to provide air express service?

23 A At a lot higher rate. And there would be obviously
24 diversion. We would have to measure that. You couldn't
25 answer that just like that, I don't think.

ln4

1 Q You don't know whether you would be able to provide
2 air express service or not?

3 A We would be able to provide the service. I don't
4 know whether the market would accept it. I think that is part
5 of the problems we have in taking the fully allocated costs
6 that you continually say you have to have.

7 Q Are you familiar --

8 EXAMINER KEITH: Let me ask, are you talking about,
9 Mr. Bernhard, fully allocated costs on the basis of the present
10 arrangement or are you talking about what would be your fully
11 allocated costs if you were operating just the airline portion,
12 handling this in much the same fashion as you handle the business
13 for the freight forwarders?

14 MR. BERNHARD: Certainly in Mr. Kole's testimony
15 they have not spelled out the precise nature of the tariff.

16 BY MR. BERNHARD:

17 Q Would you expect the airlines to have all the
18 responsibilities and provide all the services under this
19 so-called air express tariff for the exclusive benefit of
20 REA that they are obligated to perform and undertake under
21 their airfreight tariffs?

22 A No, we would expect them to operate like they are
23 operating today, where we do everything and they haul it
24 between the cities and construct their costs based on that.
25 That is what bothers me when you keep talking about a new

* * *

[918]

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1 we will go.

2 EXAMINER KEITH: You go ahead.

3 MR. BLUM: Fine.

4 EXAMINER KEITH: I have no particular order that
5 I will follow on cross-examination.

6 BY MR. BLUM:

7 Q Mr. Kole, first off I would like to get your
8 position clear for the record. My understanding is that you
9 are requesting in this proceeding to continue some type of
10 exclusive arrangement whereby you, REA, would be the only one
11 able to render service as an air express carrier.

12 In addition to that, you are requesting airfreight
13 forwarder authority, is that correct, sir?

14 A Yes, sir.

15 Q If given the choice, sir, would you wish out of
16 this proceeding airfreight forwarder authority or to remain
17 an exclusive air express carrier?

18 A Under the current conditions.

19 Q Yes, sir.

20 EXAMINER KEITH: By that, bear in mind that this
21 is a tariff investigation, the air express tariff investigation.
22 I think you have to keep that in mind.

23 MR. MATHEWS: I also think counsel's premise might
24 be a little clearer, whether you are assuming no change in the
25 various provisions of the air express agreements that Mr. Kole

ln4

1 and Mr. Bernhard were talking about.

2 MR. BLUM: The agreement, everything as is today,
3 with the pending hearing, which no one knows the result of,
4 before the Board on the rate case, and the agreement as it is
5 structured today, if given the choice, would REA prefer to
6 have airfreight forwarder authority or remain an exclusive
7 express, air express carrier.

8 THE WITNESS: I don't mean to get meddlesome, but
9 let me ask you, but does this mean we would have the right to
10 publish our own tariff and move the freight?

11 One counsel is waving yes; the other one is waving
12 no.

13 BY MR. BLUM:

14 Q Are you referring to counsel sitting next to me
15 or someone else?

16 A No.

17 EXAMINER KEITH: He was referring to Mr. Haffer.
18 I think in fairness to the witness, Mr. Blum apparently is
19 going to have you make some further assumptions so this will
20 not be the only one.

21 BY MR. BLUM:

22 Q Yes.

23 In other words, you can structure your answer on
24 any condition you want. I mean then we'll get into the
25 question.

ln5

1 A I think that if the air express agreement had the
2 changes in it which we have requested, it would be the very
3 best way to go. It makes a lot of sense; it is viable; we
4 could do the kind of things that I think we both need and the
5 nation needs to provide express service.

6 Short of those kinds of changes, then I think we
7 would be better off as an airfreight forwarder.

8 MR. MATHEWS: Excuse me, but just for clarification,
9 when you say short of those kinds of changes, do you mean
10 without any of those changes?

11 THE WITNESS: That is what I'm assuming.

12 BY MR. BLUM:

13 Q My understanding is, in answer to one of Mr. Bernhard's
14 questions, you would not be satisfied, I gather, under the
15 present agreement structured as it is today with a decision
16 by the CAB on the division of revenues in the rate case?

17 In other words, aside from those, whatever the Board's
18 decision in the rate case is, you would still -- REA, that is,
19 would still want some changes in the agreement, isn't that
20 correct?

21 A That's right.

22 Q My understanding with your answer, sir, is that
23 also, one of the main considerations you would want is the
24 ability to have pricing flexibility under the agreement, you
25 set your own rates?

ln6 1 A Yes.

2 Q You referred to, before, a pending case before the
3 ICC, or actually a case that was just denied by the ICC. Do
4 you know or could you tell us very briefly the reason for the
5 denial of this case by the ICC?

6 EXAMINER KEITH: Is that a published decision?

7 THE WITNESS: Yes, sir.

8 EXAMINER KEITH: I think we can probe into that,
9 then.

10 MR. BLUM: Counsel did indicate -- maybe counsel
11 can answer this -- that REA does plan to refile for this
12 authority?

13 MR. MATHEWS: It is my understanding.

14 BY MR. BLUM:

15 Q Mr. deVoursney in his testimony concerning gifts --

16 EXAMINER KEITH: I wonder, though, if we could get
17 from counsel, the number of that ICC case, and when it was
18 decided.

19 MR. MATHEWS: We can supply that, Mr. Examiner.
20 I don't have it. Mr. Wolfe will supply it.

21 BY MR. BLUM:

22 Q Mr. deVoursney in his testimony earlier concerning
23 gifts and loans of money to REA commented that REA recently
24 requested another grant or loan of money from the airlines,
25 and it was turned down, is that correct, sir?

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1 be part of the costs of handling operations, which I don't
2 think we are today.

3 Q Would you explain that last statement?

4 A One of the current problem when we talk about
5 price flexibility, marketing flexibility, when you get into
6 an area like this, you really don't have the opportunity to
7 relate it to that specific operation and all of its costs.

8 It is not as though you would just take it on
9 your own, costit out, look at what it is, and then go in for
10 a rate in relationship to that. One of the additional
11 problems we happen to have in my opinion that those rates
12 were so darn low that we are fighting an uphill battle to get
13 them anywhere near to being reasonable. They were a part of,
14 if you'll excuse the expression, an air express pricing pool.

15 Q When you talk about seeking the ability to consolidate
16 and you may have mentioned this in your earlier testimony,
17 sir, do you mean by that the ability to consolidate not only
18 freight forwarder shipments but express shipments?

19 I believe your answer was affirmative.

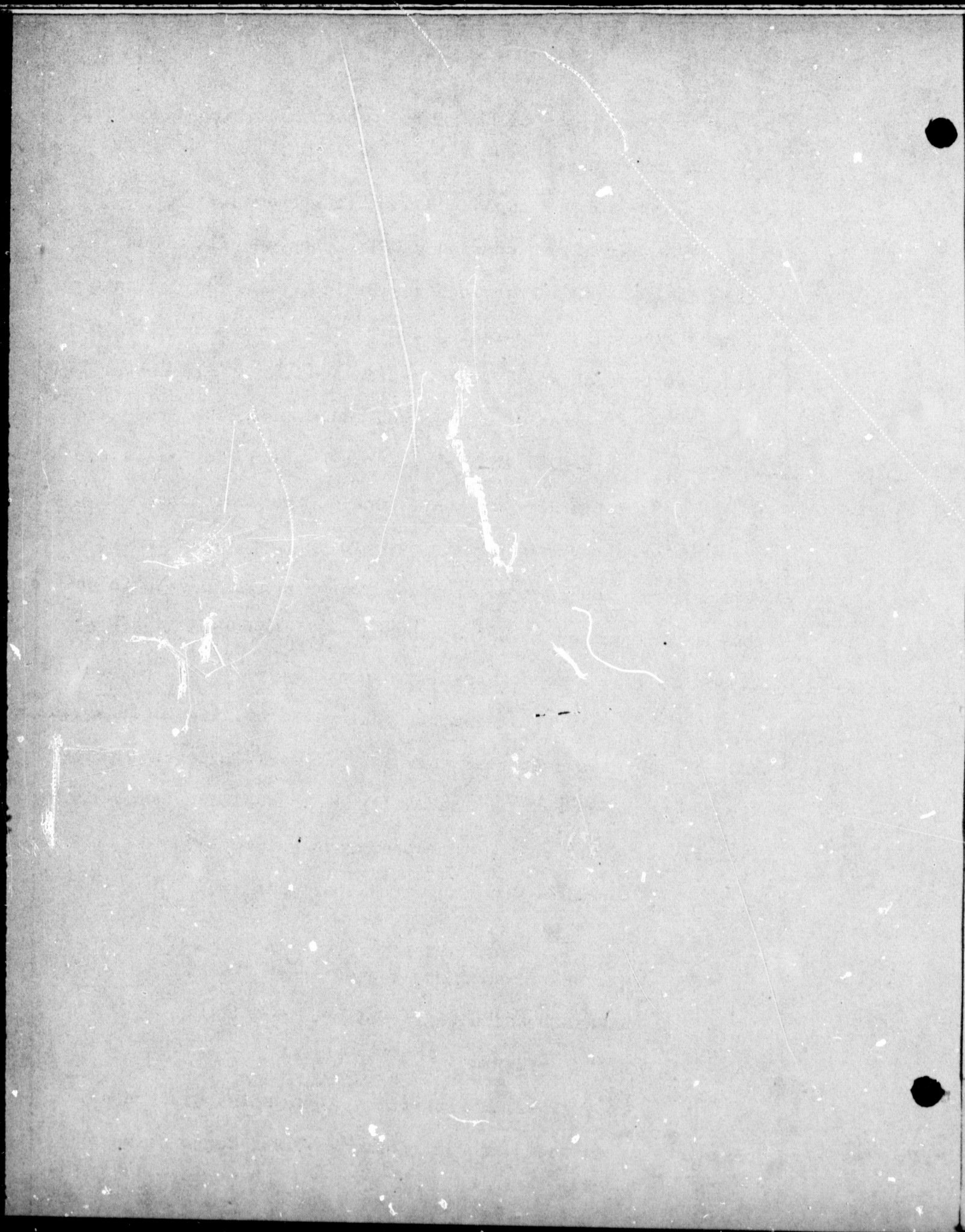
20 A Yes, sir.

21 MR. BLUM: No further questions.

22 EXAMINER KEITH: Mr. Meiser.

23 BY MR. MEISER:

24 Q In your earlier testimony, Mr. Kole, did you say
25 that your class one surface traffic was less dense or more



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BY MR. RYAN:

2 Q Now, in your direct examination, Mr. Kole, you spoke
3 about the problems of consolidation, and one of those problems
4 which you cited was the difficulty in getting union agreement
5 for closing certain offices, is that correct?

6 A Yes, sir.

7 Q Is there any union agreement required for closing
8 your branch package offices?

9 A I am not sure.

10 Q You also, I believe, in your direct testimony, said
11 that it was a requirement within your company that the local
12 man must review a proposed consolidation.

13 Do I take it from your use of that language that he
14 reviews rather than proposes a given consolidation?

15 A That is right. It is a regional man, though, not
16 the local.

17 Q Yes. And who proposes a given consolidation?

18 A I establish the policy that says we need to
19 consolidate in order to reduce fixed costs. The Vice President
20 of Operations, Roger Corgel, gets a report from each of his
21 regional managers on what stations they can feasibly
22 consolidate and continue to provide service from.

23 He has asked them to supply him with that information
24 and then they go from there. That is the beginning of it.

25 Q Mr., Kole, are you aware that there has been an